



Utah Counties Insurance Pool
Serving Counties Since 1992

AGENDA

BOARD OF TRUSTEES MEETING
December 16, 2004, 10:00 a.m.
Utah Counties Insurance Pool Building
5397 South Vine Street, SLC, UT

Call to Order	Dan McConkie
Review of Board Members Absent	Dan McConkie
Approval of November Minutes	Dan McConkie

ITEM INFORMATION

10:00	Recess for Public Hearing on 2005 UCIP Budgets	Dan McConkie
	Reconvene	Dan McConkie
1	Annual Membership Meeting Review	Lester Nixon
2	Third Quarter Financial Statements Summary	Lester Nixon
3	UAC/UCIP Joint Committee Report	Kent Sundberg
4	Loss Control Manager's Report	Mark Brady
5	Chief Executive Officer's Report	Lester Nixon
6	Board Training Opportunities	Lester Nixon

ACTION

7	Adopt Final Budgets (2005)	Lynn Lemon
8	Elect Officers	Dan McConkie
9	Set Date, Time and Place of Regular Meetings for 2005	Dan McConkie
10	Approve Reinsurance Arrangements for 2005	Lester Nixon
	A. Liability	
	B. Workers' Compensation	
	C. Property	
	D. Crime	
11	Approve Cyber Risk Endorsement—2005 Coverage Agreement	Lester Nixon
12	Approve County Vehicle Use Policy	Lester Nixon
13	Approve 2005 Multiline Risk Management Program	Lester Nixon
14	Approve 2005 Workers' Compensation Risk Management Program	Lester Nixon
15	Review and Approve Contracts for 2005	Lester Nixon
16	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	Dan McConkie
17	Action on Litigation Matters	Kent Sundberg
18	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	
19	Ratification and Approval of Payments	Gene Roundy

Other Business
Next Meeting
Adjourn



Utah Counties Insurance Pool
Serving Counties Since 1992

BOARD OF TRUSTEES MEETING

MINUTES

December 16, 2004, 10:00 a.m.

Utah Counties Insurance Pool Building, Salt Lake City, UT

BOARD MEMBERS PRESENT

Dan McConkie, *President*, Davis County Commissioner
Lynn Lemon, *Vice President*, Cache County Executive
Gene Roundy, *Secretary-Treasurer*, Iron County Commissioner
Steve Baker, Davis County Personnel Director
Kay Blackwell, Piute County Commissioner
Jerry Grover, Utah County Commissioner
Ira Hatch, Emery County Commissioner
Kent Sundberg, Utah County Deputy Attorney
Steve Wall, Sevier County Clerk-Auditor

BOARD MEMBERS ABSENT

Ken Bischoff, Weber County Commissioner
Jim Eardley, Washington County Commissioner
Ed Phillips, Millard County Sheriff

OTHERS PRESENT

Lester Nixon, Chief Executive Officer
Mark Brady, Loss Control Manager
Brody Parker, Safety Specialist
Korby Siggard, Claims Manager
Sonya White, Executive Assistant

CALL to ORDER

Dan McConkie called the meeting of the Utah Counties Insurance Pool Board of Trustees to order at 10:00 a.m. on December 16, 2004. Dan welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

Ken Bischoff requested to be excused from this meeting due to a doctor's appointment. Jim Eardley and Ed Phillips requested to be excused from this meeting due to conflicting meeting schedules. Lynn Lemon made a motion to excuse Ken Bischoff, Jim Eardley and Ed Phillips from this meeting. Kay Blackwell seconded the motion, which passed unanimously.

APPROVAL of NOVEMBER MINUTES

The minutes of the Board of Trustees meeting held November 12, 2004 were previously sent to the Board members for review. Steve Wall made a motion to approve the November 12 meeting minutes as written. Kay Blackwell seconded the motion, which passed unanimously.

RECESS for PUBLIC HEARING on 2005 UCIP BUDGETS

At 10:00 a.m., Dan McConkie called a recess of the Board of Trustees meeting to hold a public hearing on the 2005 budgets as required by the State Auditor (see attachment #1). No additional attendees came to the public hearing. Dan reconvened the Board meeting.

ANNUAL MEMBERSHIP MEETING REVIEW

Lester Nixon reported that the December 2 Annual Meeting of the Members was well attended with all member counties present except for Kane County. One out of the nine local health department directors was in attendance. A couple of complaints were that it was too late to drive home and that the meeting room was too small. Otherwise, all other feedback was positive. Lester explained that Phil Bell, Executive Director of County Reinsurance Limited, will be visiting the members at their 2005 Annual Meeting.

THIRD QUARTER FINANCIAL STATEMENTS SUMMARY

Lester Nixon reviewed the September 30, 2004 financial statements with the Board (see attachment #2). Page three shows the Liabilities of the Pool at \$4,679,037 and the Assets of the Pool at \$5,875,626. Page four Revenues show the total income accrued at \$3,856,061. Expenses show the total losses at \$1,927,263, reinsurance at \$1,084,899, administration at \$992,406. Staff expenses are up \$185,000 from last year due to the addition of three employees. The Multiline Budget to Actual Comparison schedule shows expenses at 79% of budget with the year 75% complete. The Workers' Comp Budget to Actual Comparison schedule shows expense at 83% of budget with the year 75% complete.

UAC/UCIP JOINT COMMITTEE REPORT

Kent Sundberg reported that the UCIP members of the Joint Committee have met a couple of times to research items involving the Building Agreement. Contact was made to meet with the Utah Association of Counties (UAC) members but Past President, LaMar Guymon, requested that the Joint Committee wait until February to meet. UCIP members found that the bonds on the building were issued through certificates of participation by the counties because UAC, as a 501-C-4 Corporation, couldn't qualify for the Merrill Lynch private placement bonds that were issued with a ten-year call at a high interest rate. There is additional property pledged as collateral, i.e., the adjacent vacant lot. UAC has requested that the vacant lot be released but Merrill Lynch turned down the request. The UCIP Committee Members discussed how best to have ownership interest in the building and it came down to either undivided interest or a condominium ownership. Kent explained that the UCIP Committee Members met with an attorney that specializes in condominium properties who discussed the pros and cons of such an agreement. There must be a definite division in the building such as the main floor and the basement. The Joint Committee needs to meet and discuss the problems with the new draft sublease agreement. Jerry Grover asked if the counties are responsible for the bonds if UAC doesn't pay. Kent explained that he has seen the certificate of two of the counties and it does not specifically say the county is fully responsible but it appears they would be partially responsible. Lester Nixon suggested that the Board consider paying off the balance on the bonds at \$1,250,000 and offer UAC a mortgage for the first floor and UCIP occupy the basement, thus UAC would retain majority ownership in the building. This would also take any residual responsibility away from the counties and UCIP would convert cash equity into a fixed asset. Kent will find out if this is an option on the limited call bond. There may be a refund penalty before the ten-year call reduction. UAC should share expenses for improvements. Lester explained that interest on the bonds increases each year and there is a \$330,000 balloon payment due at the end of 2005.

LOSS CONTROL MANAGER'S REPORT

Mark Brady reported that he has conducted building inspections in Box Elder and Sanpete Counties and attended defensive driving courses in Davis and Sanpete Counties (conducted by Brody Parker who is still in training as a defensive driving instructor). Brody attended and provided consultation at the Utah County Safety Committee meeting. Mark and Brody are updating the Risk Management Program for 2005 and developing a Risk Management Program for the Workers' Compensation Pool. Mark is preparing for the Annual Facilities Management Program scheduled for February 24 and the Annual Planning and Zoning Conference scheduled for April 7. The Risk Management Program reviews have been completed and the premium credits tabulated (see attachment #3). This year, five counties are 100% compliant with the program, but eight counties did not even qualify for a credit because the prerequisites were not met on time. Last year the lowest percent compliant was 41% and this year the lowest is 22%; many counties did not do as well this year. Uintah County submitted its driver's license information (one of the prerequisites) two weeks after the deadline. Mark did not conduct a review of their program but the new Insurance Coordinator submitted the balance of the County's material prior to the deadline. Mark requested direction from the Board. Steve Baker made a motion to approve the premium credits as calculated for those qualifying counties; Uintah County did not qualify. Kent Sundberg seconded the motion, which passed unanimously. Jerry Grover asked if the county commissioners are notified of noncompliance or if Mark reviews the program with those counties that did not qualify. Mark explained that he only works with the County Insurance Coordinator on the program review; the Commission or

Council is not notified if a member does not qualify. If a member does not meet the prerequisites then Mark does not review the program with the Coordinator. Jerry and Lynn Lemon recommended that Mark contact the Commissioners/Council Members of those counties that did not meet the prerequisites and, in an effort to reduce risk, review/evaluate all member counties each year, even those that did not meet the prerequisites.

CHIEF EXECUTIVE OFFICER'S REPORT

Lester Nixon explained that Mark Brady and Brody Parker will have the 2005 Risk Management Programs ready for the Board to approve at its February meeting.

Lester Nixon asked the approval of the Board for staff to leave the office early on December 23 and 30 since the Utah Association of Counties staff will be leaving early those days. The Board approved staff to leave at noon on December 23 and 30 for the holidays.

Lester Nixon announced that Tooele County has accepted the Workers' Compensation proposal presented to them by staff on December 6. Coverage for Tooele County will begin January 1, 2005. Lester explained that Summit County has requested a proposal for Workers' Compensation coverage but they are not a member of the Pool. The Board directed staff to provide a quote to Summit County with a 5% penalty. Summit will be part of the Pool as a non-voting named insured.

Lester Nixon reported that Lane Summerhays, Workers' Compensation Fund of Utah, is proposing legislation this coming session to include public agency insurance mutuals, which offer workers' compensation coverage, under the Department of Insurance regulation instead of the Labor Commission. Impact for the Pool would be approximately \$35,000 annually to comply. Utah Local Governments Trust, School Board Association and UCIP have hired Randy Smart to represent public agency insurance mutuals in this matter. The Fund lost 3% of its business when the Pools started their Workers' Compensation programs. By statute, effective 2002, public agency insurance mutuals were no longer regulated by the Insurance Department but fall under Title 11. Jerry Grover questioned whether the Labor Commission has authority over public agency insurance mutuals under Title 11. Lester will bring this question to Randy at their next meeting.

BOARD TRAINING OPPORTUNITIES

Lester Nixon provided the Board with dates of 2005 training opportunities. The AGRIP Spring Conference is scheduled for March 16-18 at the Hilton Waterfront Beach Resort in Huntington Beach, California. The PRIMA Annual Conference is scheduled for June 6-9 at the Midwest Airlines Center in Milwaukee, Wisconsin. The ARMTEch Conference for Risk Retention Pools is scheduled for July 31-August 3 at the Hyatt Regency Tamaya Resort in Santa Ana Pueblo, New Mexico. The AGRIP Governance and Leadership Conference is scheduled for November 14-16 at the Hyatt Regency on the Riverwalk in San Antonio, Texas. The PRIMA Conference and the ARMTEch Conference sessions are designed more for the risk management professional. If Board Members want to attend any two of these conferences then contact Sonya White.

ADOPT FINAL BUDGETS (2005)

The Board of Trustees approved the tentative budgets for multiline, workers' compensation and administration on September 16. The membership approved the tentative budgets on December 2. A public hearing was held on December 16. No changes have been made to the tentative budgets. Lynn Lemon made a motion to adopt the final multiline, workers' compensation and administration budgets for 2005. Jerry Grover seconded the motion, which passed unanimously.

ELECT OFFICERS

Pursuant to Article 6.1 of the Bylaws: *Officers shall be elected by and from among the Trustees, at the first Board meeting following each annual meeting of the Members.* Currently the officers are: Dan McConkie, *President*; Lynn Lemon, *Vice President*; and Gene Roundy, *Secretary/Treasurer*. Steve Baker made a motion to elect the Trustees currently holding principal officer positions. Kay Blackwell seconded the motion. Steve Wall made a motion to cease any other nominations and elect by acclamation Dan McConkie as President, Lynn Lemon as Vice President and Gene Roundy as Secretary/Treasurer. Lynn Lemon seconded the motion which passed unanimously.

SET DATE, TIME and PLACE of REGULAR MEETINGS for 2005

Lester Nixon proposed the following meeting dates for 2005 to the Board: February 17, April 19, June 3, August 18, October 13 and December 15. Lynn Lemon made a motion to set the dates, times and places, for

the Utah Counties Insurance Pool Board of Trustees regular meeting for: February 17, 10:00 a.m. at the UCIP Building; April 19, 3:00 p.m. at the UCIP Building; June 3, 12:00 p.m. at the Red Cliffs Lodge; August 18, 10:00 a.m. at the UCIP Building; October 13, 10:00 a.m. at the UCIP Building and December 15, 10:00 a.m. at the UCIP Building. Steve Baker seconded the motion, which passed unanimously.

APPROVE REINSURANCE ARRANGEMENTS for 2005

LIABILITY (see attachment #4). Reinsured through County Reinsurance Limited (CRL), Lester Nixon explained that there are no changes in the arrangement from last year; limits are the same and no increase in rate. There is however, an additional equity increase of \$46,000 for members exposure increase. Because of the Pool's excellent relationship with CRL, the reimbursement of \$200,000+ was received from CRL shortly following the payment of the one claim that exceeded the self insured retention this year. UCIP has a three year commitment with CRL. Jerry Grover made a motion to accept the reinsurance arrangement between the Utah Counties Insurance Pool and County Reinsurance Limited for the liability portion of the 2005 policy. Gene Roundy seconded the motion, which passed unanimously.

WORKERS' COMPENSATION (see attachment #5). Reinsurance through County Reinsurance Limited (CRL), Lester Nixon explained that there are no changes in the arrangement from last year; rate has not increased but because of the additional counties joining the workers' comp pool, the equity requirement for 2005 is \$74,000. Jerry Grover made a motion to accept the reinsurance arrangement between the Utah Counties Insurance Pool and County Reinsurance Limited for the workers' compensation portion of the 2005 policy. Steve Wall seconded the motion, which passed unanimously.

PROPERTY (see attachment #6). Lester Nixon explained that he was not happy with the marketing efforts by Gallagher on the property reinsurance portion of the 2005 policy. Lester specifically instructed Rich Stokluska to market the UCIP program with Genesis; Lester found out later Rich had not. John Chino placed the Idaho Pool with Genesis for \$0.045 per 100 of value. UCIP's proposal from Gallagher is at \$0.05 with Travelers. At the PRIMA Conference this year, Lester met with the underwriters of Lloyds of London through the brokerage firm Marsh. Marsh has provided a proposal and Lester reviewed the comparisons with the Board. With the same limits (except for \$20 million earthquake through Marsh) and the same self insured retention Marsh's premium proposal is \$119,045 less than Gallagher. Lester requested a bid to increase the SIR to \$250,000. Gallagher's premium proposal would decrease \$99,285; Lester is waiting for Marsh's proposal. Kay Blackwell made a motion authorizing Lester Nixon to accept the proposal by Marsh with a \$250,000 SIR. Steve Baker seconded the motion, which passed unanimously.

CRIME (see attachment #7). Lester Nixon explained that he is not happy with the proposal for crime coverage from Gallagher. The structure of Travelers is based on a \$150,000 SIR with a \$1 million limit. An additional excess policy is purchased to cover those counties needing higher limits for their county treasurer. The premiums are varying widely due to the different interpretations of the Money Management Act. Lester has met with the Money Management Council who is now looking at clarifying the language. Lester requested authorization from the Board to request a proposal from Marsh for crime coverage. The policy should be structured with reinsurance above retention. Kent Sundberg made a motion authorizing Lester Nixon to review Marsh's proposal and place the crime coverage with the best carrier. Gene Roundy seconded the motion, which passed unanimously.

APPROVE CYBER RISK ENDORSEMENT—2005 COVERAGE AGREEMENT

As directed by the Board at its November 12 meeting, Lester Nixon further researched the *Exclusion of Loss To and Loss Of Use of Data, Computer Hardware and Systems* endorsement proposed as part of the 2005 Coverage Agreement. The Board's concern was with the clause "This exclusion does not apply to any specific attack to your computer equipment." Lester explained that by leaving in this clause, members have coverage for owned computer equipment that is specifically attacked by a hacking, virus spreading malware. Computer literate employees intent on harming their employer can cause great damage today by intentionally installing a virus or worm. The intent of the endorsement is to protect the member if targeted. Gene Roundy made a motion to approve the *Exclusion of Loss To and Loss Of Use of Data, Computer Hardware and Systems* endorsement to be included in the 2005 Coverage Agreement. Kay Blackwell seconded the motion, which passed unanimously.

APPROVE COUNTY VEHICLE USE POLICY

Lester Nixon reported that he discussed Weber County's concerns regarding the proposed County Vehicle Use Policy with Dave Wilson. Dave requested that the sentence in the third paragraph be rewritten as follow: No

one other than county employees will be transported as passengers except ~~when required~~ as allowed by county ~~business~~ policy. Kent Sundberg explained that there is a bigger problem in that employees are transporting their families. Gene Roundy explained that Iron County allows their deputies to take patrol vehicles home with them and use off duty so as to have the law enforcement presence in the area. Ira Hatch agreed that county policy should govern the use. Steve Baker made a motion to approve the County Vehicle Use policy with the following change: *No one other than county employees will be transported as passengers except ~~when required by county business~~ unless allowed by written policies of the governing body.* Gene Roundy seconded the motion, which passed with Jerry Grover and Kent Sundberg opposing. Jerry Grover suggested that the policy should be included as part of the Risk Management Program. Mark Brady agreed and will apply the policy concept in the 2005 Risk Management Program. Copies of the Joint Policy Statements will be sent to the members.

APPROVE 2005 MULTILINE RISK MANAGEMENT PROGRAM

Jerry Grover made a motion to defer this item until the February meeting. Lynn Lemon seconded the motion, which passed unanimously.

APPROVE 2005 WORKERS' COMPENSATION RISK MANAGEMENT PROGRAM

Jerry Grover made a motion to defer this item until the February meeting. Lynn Lemon seconded the motion, which passed unanimously.

REVIEW and APPROVE CONTRACTS for 2005

BY THE NUMBERS ACTUARIAL CONSULTING, INC. (BYNAC). Lester Nixon explained that the Pool contracts with BYNAC for actuarial services (see attachment #8). The Pool currently has a four year contract with BYNAC that expires 8/21/2007. Lester is happy with the services provided and recommends that the Board continue actuarial services through BYNAC.

ALTERNATIVE SERVICE CONCEPTS (ASC). Lester Nixon explained that the Pool contracts with ASC for its workers' compensation third party claims administration (see attachment #9). The Pool currently has a two year contract with ASC that expires 12/31/2005. Lester is pleased with the claims administration services. There have been a couple of complaints involving Patsy Clarke but they have been resolved. ASC is an excellent firm. Proposals for bringing workers' compensation claims administration in-house will be provided to the Board in October. Lester recommends that the Board continue claims administration services through ASC.

MOUNTAIN VIEW SOFTWARE (MVS). Lester Nixon explained that the Pool contracts with MVS for the multiline claims management system (see attachment #10). The Pool currently has a three year contract with MVS that expires 12/31/2006). The contract has not been signed because they had not finished the work until recently. The person that was not handling the Pool account properly is no longer there and the new technical service representative has worked hard to make sure all our information is correct. MVS has fulfilled their commitment outlined in their proposal; therefore, Lester recommends that the Board continue the claims management system through MVS.

LARSON AND COMPANY (L&C). Lester Nixon explained that the Pool signs an annual engagement letter with L&C for auditing services and accounting compilations (see attachment #11). Lester explained that the Pool has had problems with L&C preparing the monthly compilation in a timely manner and their fees have exceeded the agreed upon amount. Lester made a few contacts and found that major firms were too busy this time of year, wanted a lot more money and some won't even consider providing services for a Pool this size. Lester recommended that the Pool engage L&C for their 2004 audit and then go out to bid for the 2005 audit. The accounting compilation can be compiled in-house on a cash basis with oversight by L&C.

ARTHUR J. GALLAGHER & CO. (AJG). As directed by the Board at its November 12 meeting, Lester Nixon notified Rich Stokluska and John Chino that the contract for brokerage and consulting services would not be renewed as of 1/01/2005. John has made an alternative offer and the Pool may want to consider allowing Marsh an opportunity to provide a contract for other services.

Jerry Grover made a motion to continue the contracts with BYNAC, ASC and MVS, engage L&C for the 2004 audit and non-renew the contract with AJG. Lynn Lemon seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

Jerry Grover made a motion to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation for December 16, 2004 at 12:05 p.m. Steve Wall seconded the motion, which passed unanimously.

Lynn Lemon made a motion to conclude the closed meeting to discuss pending or reasonably imminent litigation on December 16, 2004 at 12:15 p.m. Jerry Grover seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion authorizing settlement authority up to an amount of \$32,000 in the matter of UTA0000232004. Lynn Lemon seconded the motion, which passed unanimously.

Kent Sundberg made a motion authorizing settlement authority up to an amount of \$130,000 in the matter of WEB0000372004. Steve Wall seconded the motion, which passed unanimously.

In the matter of UIN0000272004, Kent Sundberg made a motion for the Utah Counties Insurance Pool (UCIP) to organize a delegation to meet with Governor Elect Huntsman and Lt. Governor Elect Herbert to discuss and encourage Huntsman to rescind Governor Bangerter's "Assurance of the Governor" document that allegedly gave the Disability Law Center their authority. The delegation will also encourage Huntsman to give this authority and the federal funding to a state agency or, in the alternative, setup a committee to review the matter and make recommendations for further decision on the granting of the authority to oversee protection and advocacy for individuals with mental illness. In this matter, UCIP will participate with Uintah County for the payment of future attorney's fees at a 50/50 arrangement up to an amount of \$20,000 as of today's date. Lynn Lemon seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

The Board had no need for a closed meeting to discuss the character, professional competence, physical/mental health of an individual.

RATIFICATION and APPROVAL of PAYMENTS

Gene Roundy reviewed the payments made and the payments to be made with the Board (see attachment #12). Gene Roundy made a motion to approve the payments made and the payments to be made. Ira Hatch seconded the motion, which passed unanimously.

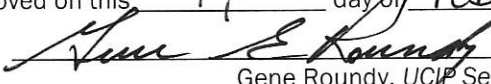
OTHER BUSINESS

Dan McConkie has been receiving the Trustees' evaluation forms of Lester Nixon in preparation of his annual review. Lester's review is scheduled for January 27 so all evaluations need to be sent to Dan prior to that date.

The next meeting of the Board of Trustees is scheduled for 10:00 a.m. on February 17, 2005 at the Utah Counties Insurance Pool Building.

Steve Wall made a motion to adjourn this meeting. Kay Blackwell seconded the motion, which passed unanimously.

Respectfully submitted by Sonya White, Executive Assistant.

Approved on this 17 day of February 2005

Gene Roundy, UCIP Secretary-Treasurer

UTAH COUNTIES INSURANCE POOL
TENTATIVE Multiline Budget
2005

REVENUE

Premiums Written	4,091,335
Risk Management Program Credit	-125,000
Investment Income	250,000
<i>TOTAL REVENUE</i>	4,216,335

LOSSES AND LOSS EXPENSES

Losses	2,006,768
Reinsurance	1,227,927
<i>TOTAL LOSS EXPENSES</i>	3,234,695

ADMINISTRATION EXPENSES

Accounting	18,700
Actuarial Analysis	8,500
Capitalization Costs - CRL	145,846
<i>TOTAL ADMINISTRATION</i>	173,046

<i>TOTAL LOSSES AND EXPENSES</i>	3,407,741
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<i>TRANSFER TO ADMINISTRATION BUDGET</i>	808,594
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EQUITY / RESERVES

Automobile	31,688
Building Debt Service	86,300
Building Repairs & Replacement	28,170
Capital (CRL)	149,585
<i>TOTAL DESIGNATED RESERVES</i>	295,743

UTAH COUNTIES INSURANCE POOL
TENTATIVE Workers Compensation Budget
2005

REVENUE

Premiums Written	1,385,827
Investment Income	12,000
<i>TOTAL REVENUE</i>	<i>1,397,827</i>

LOSSES AND LOSS EXPENSES

Losses	762,205
Reinsurance	228,611
Third Party Administrator	150,000
<i>TOTAL LOSS EXPENSES</i>	<i>1,140,816</i>

ADMINISTRATION EXPENSES

Accounting	8,000
Actuarial Analysis	4,000
Brokerage Fees	25,000
Capitalization Costs - CRL	52,122
<i>TOTAL ADMINISTRATION</i>	<i>89,122</i>

TOTAL LOSSES AND EXPENSES ***1,229,938***

TRANSFER TO ADMINISTRATION BUDGET ***167,889***

EQUITY / RESERVES

Capital (CRL)	52,122
<i>TOTAL EQUITY</i>	<i>52,122</i>

UTAH COUNTIES INSURANCE POOL

TENTATIVE Administration Budget

2005

TRANSFERS

Multiline	808,594
Workers' Compensation	167,889
<i>TOTAL TRANSFERS</i>	976,483

ADMINISTRATION EXPENSES

Automobile Expense	9,500
Automobile Reserve	25,000
Bank Charges	300
Board Expense	40,000
Brokerage Fees	80,000
Building Maintenance & Repairs	18,000
Copying Costs	1,200
Dues / Subscriptions	4,500
Exhibiting & Sponsorship	17,500
Information Technology	25,000
Land Use Hotline Program	25,000
Lease Purchase	70,000
Lobbying & Legislative Tracking	10,000
Loss Control / Training	40,000
Office Insurance	5,500
Office Supplies	7,500
Postage	2,500
Incentives	6,000
Printing	7,500
Professional Fees	22,661
Property & Equipment	10,000
Staff Expenses	35,000
Staff Salaries	367,485
Staff Retirement	60,586
Staff FICA	21,895
Staff Medical Insurance	57,856
Telephone	6,000
<i>TOTAL ADMINISTRATION</i>	976,483

UTAH COUNTIES INSURANCE POOL

Financial Statements
and
Accountants' Compilation Report

September 30, 2004 and 2003



LARSON & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' COMPILATION REPORT

The Board of Trustees
Utah Counties Insurance Pool

We have compiled the accompanying balance sheets of **Utah Counties Insurance Pool** as of September 30, 2004 and 2003, and the related statements of revenue, expenses, and changes in net assets and cash flows for the nine months then ended and the accompanying supplementary schedules, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the owners. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Larson & Company

Sandy, Utah
December 15, 2004

LIABILITIES AND NET ASSETS		2004	2003
Current liabilities:			
Reserves for loss and loss adjustment expenses	\$	3,185,702	\$ 3,070,627
Pass through premium		270	-
Accounts payable		19,658	14,500
Payroll liabilities		2,616	7,035
Compensated absences payable		22,961	-
Unearned premium		1,447,830	1,125,515
Total current liabilities		4,679,037	4,217,677
Total liabilities		4,679,037	4,217,677
Net assets:			
Invested in capital assets		85,783	-
Unrestricted		5,649,847	5,796,614
- Restricted for:			
Auto		48,420	28,420
Building debt service		69,040	60,235
Building repairs and maintenance		22,536	20,721
Total net assets		5,875,626	5,905,990
Total liabilities and net assets	\$	10,554,663	\$ 10,123,667

UTAH COUNTIES INSURANCE POOL
Statements of Revenue, Expenses, and Changes in Net Assets
For the Nine Months Ended September 30, 2004 and 2003

	2004	2003
Income:		
Premiums and other considerations	\$ 3,636,796	\$ 2,966,333
Investment income	195,285	156,261
Investment income - restricted	26,951	-
Realized gain (loss) on investments	(28,048)	(145)
Administration fee reimbursement	-	22,894
Miscellaneous income	25,077	1,812
Total income	3,856,061	3,147,155
Benefits:		
Losses and loss adjustment expenses	1,927,263	1,969,709
Reinsurance expense	1,084,899	1,035,540
Total benefits	3,012,162	3,005,249
Administration expenses:		
Accounting	10,348	14,080
Actuary	4,000	7,386
Auto expense	4,332	2,061
Auto reserve	20,000	-
Bank charges	162	244
Board expense	30,028	24,162
Bond requirement WC	37,500	-
Brokerage expense	78,182	60,000
Building - maintenance	15,128	1,814
Building - repairs & replacement	1,898	-
Building - reserve	8,805	-
Capitalization costs - CRL	201,707	-
Copying	1,053	(24)
Depreciation	9,162	-
Dues & subscriptions	3,520	3,067
Exhibitions & sponsorships	8,524	3,880
Fees & licensing	1,200	-
Insurance	1,659	5,880
Information technology	9,353	2,260
Lease purchase (debt service)	68,166	66,805
Lobbying & legislative tracking	10,025	-
Loss control - training	21,706	10,283
Office equipment	463	2,602
Office supplies	5,425	1,788
Other expenses	-	(3)
Pass through - airport liability and bonds	15,462	-
Postage	1,837	753
Premium credits & incentives	2,405	77,401
Printing	968	1,685
Professional fees	20,061	12,405
Staff expenses	395,212	209,513
Telephone	4,115	3,216
Total administration expenses	992,406	511,258
Less increase in restricted net asset reserves	(30,620)	-
Less purchase of CRL investment	(201,707)	-
Total benefits and expenses	3,772,241	3,516,507
Change in net assets, unrestricted	83,820	(369,352)
Net assets, beginning of period	5,791,806	6,275,342
Net assets, end of period	\$ 5,875,626	\$ 5,905,990

The accompanying notes to financial statements
are an integral part of these statements

See accountants' compilation report

	<u>2004</u>	<u>2003</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 83,820	\$ (369,352)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	9,162	-
Interest received on investments	(248,999)	(156,261)
Amortization of investments	5,108	-
Realized loss on investments	28,048	145
Change in net assets	(4,000)	-
Increase (decrease) in reserves	30,620	(215,856)
Changes in assets and liabilities:		
Decrease in accounts receivable	1,691	124,795
Decrease in accrued investment income	21,655	-
Increase in prepaid expenses	(398,422)	(378,876)
Increase in unearned premium	1,447,830	964,520
Decrease in pass through premiums	-	(3,974)
Increase (decrease) in accounts payable	(24,080)	20,355
Decrease in premiums paid in advance	(597,965)	(450,876)
Decrease in unpaid loss	(181,376)	-
Total adjustments	<u>89,272</u>	<u>(96,028)</u>
Net cash flows provided (used) by operating activities	<u>\$ 173,092</u>	<u>\$ (465,380)</u>

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Utah Counties Insurance Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. The Pool is a non-profit public agency insurance mutual under the insurance statutes of the State of Utah and is an interlocal entity formed under section 11.13.101 et. seq. *Utah Code Annotated, 1953* as amended, as a joint program to insure risks for counties who enter into the interlocal agreement that creates UCIP. The Pool provides general liability insurance which covers public officials' liability, law enforcement liability, auto liability and physical damage, property, and crime. As of January 1, 2004, the Pool began providing Workers' Compensation insurance which covers the statutory obligations for employers for Workers' Compensation insurance under the laws of the State of Utah. All of the Pool's business activities are conducted in the State of Utah.

Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Pool adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments* (GASB Statement 34), in fiscal year 2002, effective January 1, 2001.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual amounts could differ from these estimates.

Significant estimates of the Pool include the reserves for losses and loss adjustment expenses.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premiums

Substantially all policies have a common annual renewal date of January 1. Premiums written are earned on a daily pro rata basis over the policy term.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. Therefore, the investment in Utah Public Treasurers' Fund and cash on deposit are considered to be cash equivalents.

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

Investments

Investments are comprised of various U.S. Government securities. Investments in U.S. Government securities for September 30, 2004 and 2003 consisted of held-to-maturity securities.

Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

The investment in County Reinsurance, Limited (CRL) is valued using the equity method of accounting. Under the equity method, the Pool recognizes its share in the net earnings or losses of the company as they occur rather than as dividends are received.

Restricted Investments

The investment that is restricted for Workers' Compensation is a bond that is pledged for the Workers' Compensation self-insurers' bond that the Pool was required to post with the Labor Commission to receive their self-insurers' permit.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Investments (Continued)

The investment that is restricted for CRL is equity in CRL that the Pool may not access until it has been a member of CRL for at least five years. The Pool's membership in CRL began January 1, 2004. The equity is capital that CRL is required to maintain under Vermont law.

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from 3 to 5 years.

Maintenance and repairs, which do not materially extend the useful lives and minor replacements, are expensed as incurred.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable. The amounts accrued as of September 30, 2004 and 2003 was **\$22,961** and \$0, respectively.

2. INVESTMENTS IN UTAH PUBLIC TREASURERS' INVESTMENT FUND (PTIF)

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund, but is subject to the Money Management Act and Rules of the Money Management Council. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an insurer's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF pay an administrative charge on an annual basis based on the average account balance. The PTIF is operated as a service to local governments and does not generate a profit to the Utah State Treasurer. The investment in PTIF totaled **\$1,540,579** and \$1,828,203 as of September 30, 2004 and 2003, respectively.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

3. REINSURANCE

The Pool has purchased specific and aggregate reinsurance coverage. The agreements provide for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$150,000 self-insured retention up to an aggregate loss limit. The Pool has purchased reinsurance to protect against losses above these limits.

Effective 2003, the Pool has purchased only specific reinsurance coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$150,000 self-insured retention.

Estimated claims loss liabilities are stated net of estimated losses applicable to reinsurance ceded to other insurance companies. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

Unsecured Reinsurance Recoverables

The Company does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with and individual reinsurers, authorized or unauthorized, that exceeds 3% of the Pool's policyholder surplus.

Reinsurance Recoverable in Dispute

The Company does not have any disputed balances or uncollectible funds.

Statutory Limits – Worker's Compensation

Effective 2004, the Pool reinsures Worker's Compensation to statutory limits above the \$300,000 self-insured retention. County Reinsurance, Limited (CRL) provides a layer of coverage \$1,700,000 excess of \$300,000 self-insured retention. Safety National reinsures to statutory limits above the \$2,000,000 provided by CRL.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2004 and 2003 included the following:

	<u>2004</u>	<u>2003</u>
Cash on deposit	\$ 58,499	\$ 181,862
Money market fund	188,454	108,854
Utah Public Treasurers' Investment Fund - held by the Pool	<u>1,540,579</u>	<u>1,828,203</u>
Total	<u>\$ 1,787,533</u>	<u>\$ 2,118,920</u>

The Pool is required to follow the requirements of the Utah Money Management Act, Section 51-7-1, *Utah Code Annotated, 1953* as amended, in handling its depository and investment transactions. This law requires that investment transactions be conducted through qualified depositories and stipulates the types of securities allowable as acceptable investment transactions. Management believes the Pool was in compliance with the Utah Money Management Act during the months ended September 30, 2004 and 2003.

The Pool maintains several bank accounts at the same financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. As of September 30, 2004 and 2003 the Pool had amounts in excess of FDIC insurance limit of \$29,180 and \$0, respectively.

5. INTEREST RATES

The interest rates for assets held with the Utah Public Treasurers' Investment Fund were 1.92% and 1.53% for the months ended September 30, 2004 and 2003, respectively.

6. RELATED PARTY TRANSACTIONS

The Pool pays UAC quarterly for building maintenance, office supplies, DSL lines, etc. The Pool also pays UAC for its portion of the building. Amounts payable to UAC as of September 30, 2004 and 2003 amounted to \$13,076 and \$0, respectively.

Both the Pool and UAC have agreed that the Pool has an equity interest in the building, but no formal agreement has been signed as to the specifics of the Pool's equity interest in the building.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

7. CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

8. INVESTMENTS

The carrying amounts of investments and their fair values at September 30, 2004 and 2003 were as follows:

	2004			
	Cost / Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bonds	\$ 6,906,144	\$ 7,230	\$ (61,373)	\$ 6,852,001
Restricted government bonds	1,113,203	-	(4,826)	1,108,377
Restricted equity investment	201,707	-	-	201,707
Total investments	\$ 8,221,054	\$ 7,230	\$ (66,199)	\$ 8,162,085

	2003			
	Cost / Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government Bonds	\$ 7,559,538	\$ 16,851	\$ (36,002)	\$ 7,540,387
Total investments	\$ 7,559,538	\$ 16,851	\$ (36,002)	\$ 7,540,387

9. RETIREMENT PLAN

The retirement plan for employees of the Pool is funded by the Pool. The employees are covered under the multiple-employer, public employee retirement systems administered by the Utah Retirement System. This plan is noncontributory and includes a 401(k) plan.

The Pool contributes 11.09% under a pension plan and 8.54% of employee's salaries under a 401(k) plan. The Pool's employees are also covered under a 457 plan administered by Nationwide Retirement Solutions for which the Pool contributes 4.3% of employee's salaries.

The total retirement expense for the Pool for the nine months ended September 30, 2004 and 2003 was **\$55,484** and \$24,879, respectively.

SUPPLEMENTARY SCHEDULES

UTAH COUNTIES INSURANCE POOL
Multi-Line Budget to Actual Comparison
For the Nine Months Ended September 30, 2004

	2004 Budget	Y-T-D Actual	Budget Remaining	Percent Complete
Income:				
Premiums and other considerations	4,182,032	3,011,190	(1,170,842)	72%
Investment income	238,000	195,285	(42,715)	82%
Realized gain (loss) on investments	-	(28,048)	(28,048)	0%
Miscellaneous income	-	9,615	9,615	0%
Total income	4,420,032	3,188,042	(1,231,990)	72%
Benefits:				
Losses and loss adjustment expenses	2,193,200	1,669,725	523,475	76%
Reinsurance expense	1,227,957	920,958	306,999	75%
Total benefits	3,421,157	2,590,683	830,474	76%
Administration expenses:				
Accounting (Larson & Company)	18,700	8,485	10,215	45%
Actuarial Analysis (BYNAC)	8,500	2,000	6,500	24%
Automobile Expense	6,090	3,552	2,538	58%
Automobile Reserve	16,240	16,240	-	100%
Bank fees	100	151	(51)	151%
Brokerage Fees (Arthur J. Gallagher)	80,000	60,000	20,000	75%
Board Expense	30,000	24,623	5,377	82%
Building: Maintenance	12,000	15,128	(3,128)	0%
Building: Repairs & Replacement	5,634	1,898	3,736	34%
Building: Reserve	17,260	8,805	8,455	51%
Capitalization Costs - CRL	149,585	149,585	-	100%
Copying Costs	1,200	1,053	147	88%
Depreciation	-	9,162	(9,162)	0%
Dues / Subscriptions	3,500	3,520	(20)	101%
Exhibiting and Sponsorship	10,000	6,990	3,010	70%
Incentives	7,000	1,972	5,028	28%
Information Technology	44,916	9,353	35,563	21%
Insurance	5,500	1,659	3,841	0%
Lease Purchase (Debt Service)	70,000	68,166	1,834	97%
Lobbying & Legislative Tracking	8,120	8,220	(100)	101%
Loss Control / Training	25,000	17,799	7,201	71%
Office Equipment	12,000	463	11,537	4%
Office Supplies	7,500	5,425	2,075	72%
Postage	2,500	1,837	663	0%
Printing	2,000	968	1,032	48%
Professional Fees	28,000	20,061	7,939	72%
Staff Expenses	30,000	27,735	2,265	92%
Staff Salaries	258,626	201,484	57,142	78%
Staff Retirement	60,586	48,063	12,523	79%
Staff FICA	21,895	15,935	5,960	73%
Staff Medical Insurance	50,923	43,362	7,561	85%
Telephone	5,500	4,118	1,382	75%
Total administration expenses	998,875	787,812	211,063	79%
Less purchase of CRL investment	-	(149,585)	149,585	
Less increase in restricted net asset reserves	-	(26,860)	26,860	
Total benefits and expenses	998,875	3,202,050	1,217,982	
Decrease in net assets, unrestricted	-	(14,008)	(14,008)	

Note:

This year is 75% complete

UTAH COUNTIES INSURANCE POOL
Schedule of Income and Changes in Net Assets by Policy Year - Multi-Line
Inception to September 30, 2004

	Policy Year												Total
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Income:													
Fearned premium	1,302,622	1,443,143	1,571,870	1,775,358	1,844,816	2,271,005	2,351,523	2,479,778	2,351,234	3,222,871	2,405,492	3,930,864	3,011,190
Investment income	152,239	168,656	192,755	196,970	120,063	344,931	406,049	441,615	579,370	432,139	231,873	225,390	195,285
Administrative fee reimbursement	-	-	-	-	-	-	-	-	-	-	124,586	22,894	147,480
Net/loss gain (loss) on investments	-	-	-	-	-	-	-	-	-	-	(4,052)	(28,048)	(32,100)
Miscellaneous income	-	-	-	-	-	-	2,007	15	-	2,271	5,877	1,811	9,615
Total income	1,454,861	1,611,799	1,764,145	1,971,328	1,970,879	2,615,936	2,759,572	2,921,406	2,930,604	3,657,281	2,767,828	4,176,897	3,393,578
Benefits:													
Loss and loss adjustment expenses	1,143,566	1,612,172	1,452,558	1,115,503	1,617,474	1,343,144	1,558,002	1,182,542	1,092,771	699,896	1,283,583	2,590,871	1,592,525
Owed and paid recoverable	(293,967)	(512,172)	(102,558)	-	-	-	-	-	-	-	-	-	(908,607)
Reinsurance expense	-	-	-	-	-	-	-	-	-	870,731	-	1,374,225	920,958
Unaffiliated loss adjustment expenses	201,001	202,002	207,006	247,610	239,514	236,022	287,021	253,050	224,000	223,998	232,960	277,200	2,631,394
Total benefits	1,051,001	1,302,002	1,557,006	1,363,113	1,856,988	1,579,166	1,845,023	1,435,592	1,316,771	1,794,625	1,516,543	3,865,096	2,590,663
Administration expenses:													
Accounting (Larson & Company)	-	-	-	-	-	-	-	-	-	-	-	17,970	8,485
Actuarial Analysis (DVIUAC)	-	-	-	-	-	-	-	-	-	-	-	15,386	2,000
Administration Fee (UAC)	196,819	225,000	225,000	260,000	260,000	267,500	280,000	358,610	447,688	446,815	494,804	-	3,452,230
Automobile Expense	-	-	-	-	-	-	-	-	-	-	-	3,552	6,152
Bank Policy Reserve	-	-	-	-	-	-	-	-	-	-	-	16,240	16,240
Brokerage Fees (Arthur J. Gallagher)	-	-	-	-	-	-	-	-	-	-	-	244	385
Board Expense	150,000	150,000	150,000	125,000	125,000	108,125	105,000	105,000	101,000	105,000	80,000	80,000	1,444,125
Building Maintenance	-	-	-	-	-	-	-	-	-	-	-	244	151
Building Repairs & Replacement	-	-	-	-	-	-	-	-	-	-	-	32,044	24,673
Building Reserve	-	-	-	-	-	-	-	-	-	-	-	15,128	28,649
Capitalization Costs - CRL	-	-	-	-	-	-	-	-	-	-	-	13,521	1,898
Copying Costs	-	-	-	-	-	-	-	-	-	-	-	8,805	8,805
Develation	-	-	-	-	-	-	-	-	-	-	-	1,053	1,053
Dues / Subscriptions	-	-	-	-	-	-	-	-	-	-	-	9,434	9,434
Exhibiting and Sponsorship	-	-	-	-	-	-	-	-	-	-	-	3,845	3,570
Expenses Paid to UAC	-	-	-	-	-	-	-	-	-	-	-	8,149	6,990
Incentives	-	-	-	-	-	-	-	-	-	-	-	-	1,972
Information Technology	-	-	-	-	-	-	-	-	-	-	-	4,178	9,353
Insurance	-	-	-	-	-	-	-	-	-	-	-	4,199	1,659
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	309,119
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-	-	-	68,549
Lease Purchase (Debi Service)	-	-	-	-	-	-	-	-	-	-	-	8,220	8,220
Lobbying and Legislative Training	-	-	-	-	-	-	-	-	-	-	-	14,078	17,799
Loss Control / Training	-	-	-	-	-	-	-	-	-	-	-	1,540	463
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	2,325	5,425
Office Supplies	16,693	8,563	23,169	13,490	20,706	4,121	20,958	4,143	3,363	30,837	48,309	-	194,352
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Services (UAC)	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium Credits and Incentives	-	-	-	-	-	-	-	-	-	-	-	1,978	3,815
Printing	-	-	-	-	-	-	-	-	-	-	-	77,868	-
Professional Fees	77,374	73,449	84,209	37,287	33,461	16,092	38,164	37,013	29,551	35,605	46,182	25,070	968
Property and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	3,172
Staff Expenses	-	-	-	-	-	-	-	-	-	-	-	-	20,561
Staff Salaries	-	-	-	-	-	-	-	-	-	-	-	25,396	27,735
Staff Payroll - misc.	-	-	-	-	-	-	-	-	-	-	-	201,448	402,930
Staff Retirement	-	-	-	-	-	-	-	-	-	-	-	39,224	48,063
Staff FICA	-	-	-	-	-	-	-	-	-	-	-	13,177	15,835
Staff Medical Insurance	-	-	-	-	-	-	-	-	-	-	-	30,992	43,362
Telephone	-	-	-	-	-	-	-	-	-	-	-	4,118	8,674
Total administration expenses	430,886	457,012	482,378	435,777	439,167	395,638	444,122	774,665	670,822	618,457	669,295	691,337	7,247,568
Less purchase of CRL Investment	-	-	-	-	-	-	-	-	-	-	-	-	(149,585)
Less increase in restricted net asset reserves	-	-	-	-	-	-	-	-	-	-	-	-	(26,860)
Total benefits and expenses	1,481,887	1,759,014	2,039,384	1,799,250	2,296,105	1,975,004	2,289,145	2,210,257	1,937,593	2,413,082	2,185,838	4,696,433	3,202,950
Net income (loss)	(27,026)	(147,215)	(275,239)	(175,038)	(325,226)	640,932	470,427	711,149	593,011	1,241,199	581,990	(478,536)	(14,008)
Contributed capital	401,913	430,206	484,180	460,780	476,224	-	-	-	-	-	-	-	2,233,303
Change in non-admitted assets	-	-	-	-	-	(61,466)	34,202	25,264	(5,000)	7,000	-	-	-
Borrowed surplus	620,000	-	-	-	-	-	(30,101)	(599,899)	-	-	-	-	-
Ending net assets	594,887	282,991	188,941	635,818	150,998	579,456	504,629	706,312	398,112	1,251,199	581,990	(483,536)	5,777,799

UTAH COUNTIES INSURANCE POOL
Worker's Comp Budget to Actual Comparison
For the Nine Months Ended September 30, 2004

	2004 Budget	Y-T-D Actual	Budget Remaining	Percent Complete
Income:				
Premiums and other considerations	906,667	625,606	(281,061)	69%
Investment income	12,000	26,951	14,951	225%
Realized gain (loss) on investments	-	-	-	0%
Total income	918,667	652,557	(266,110)	71%
Benefits:				
Losses and loss adjustment expenses	312,800	149,012	163,788	48%
Reinsurance expense	228,611	163,940	64,671	72%
Third party administrator	150,000	108,526	41,474	72%
Total benefits	691,411	421,478	269,933	61%
Administration expenses:				
Accounting (Larson & Company)	8,000	1,863	6,137	23%
Actuarial Analysis (BYNAC)	4,000	2,000	2,000	50%
Automobile Expense	1,410	780	630	55%
Automobile Reserve	3,760	3,760	-	100%
Bank fees	200	11	189	6%
Brokerage Fees (Arthur J. Gallagher)	25,000	18,182	6,818	73%
Board Expense	5,264	5,405	(141)	103%
Bond Requirement WC	-	37,500	(37,500)	0%
Capitalization Costs - CRL	52,122	52,122	-	100%
Exhibiting and Sponsorship	1,880	1,534	346	82%
Fees & Licensing	-	1,200	(1,200)	0%
Incentives	940	433	507	46%
Lobbying & Legislative Tracking	1,880	1,804	76	96%
Loss Control / Training	5,000	3,907	1,093	78%
Staff Expenses	5,000	1,827	3,173	37%
Staff Salaries	75,000	40,197	34,803	54%
Staff Retirement	18,000	7,421	10,579	41%
Staff FICA	4,800	2,733	2,067	57%
Staff Medical Insurance	15,000	6,454	8,546	43%
Telephone	-	-	-	0%
Total administration expenses	227,256	189,133	38,123	83%
Less increase in restricted net asset reserves	-	(3,760)	3,760	
Less purchase of CRL investment	-	(52,122)	52,122	
Total benefits and expenses	227,256	133,251	94,005	
Decrease in net assets	-	97,828	97,828	

Note:

This year is 75% complete

UTAH COUNTIES INSURANCE POOL
Schedule of Income and Changes in Net Assets by Policy Year - Worker's Comp
Inception to September 30, 2004

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
Income:														
Earned premium	-	-	-	-	-	-	-	-	-	-	-	-	625,606	625,606
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	26,951	26,951
Administrative Fee Reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	-	-	-	-	-	-	-	-	-	-	-	-	652,557	652,557
Benefits:														
Losses and loss adjustment expenses	-	-	-	-	-	-	-	-	-	-	-	-	149,012	149,012
Owed and paid recoverable under excess policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reinsurance expense	-	-	-	-	-	-	-	-	-	-	-	-	163,940	163,940
Unallocated loss adjustment expenses	-	-	-	-	-	-	-	-	-	-	-	-	108,526	108,526
Total benefits	-	-	-	-	-	-	-	-	-	-	-	-	421,478	421,478
Administration expenses:														
Accounting (Larson & Company)	-	-	-	-	-	-	-	-	-	-	-	-	1,863	1,863
Actuarial Analysis (BYNAC)	-	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000
Automobile Expense	-	-	-	-	-	-	-	-	-	-	-	-	780	780
Automobile Reserve	-	-	-	-	-	-	-	-	-	-	-	-	3,760	3,760
Bank Fees	-	-	-	-	-	-	-	-	-	-	-	-	11	11
Brokerage Fees (Arthur J. Gallagher)	-	-	-	-	-	-	-	-	-	-	-	-	18,182	18,182
Board Expense	-	-	-	-	-	-	-	-	-	-	-	-	5,405	5,405
Bond Requirement WC	-	-	-	-	-	-	-	-	-	-	-	-	37,500	37,500
Capitalization Costs - CRL	-	-	-	-	-	-	-	-	-	-	-	-	52,122	52,122
Exhibiting & Sponsorships	-	-	-	-	-	-	-	-	-	-	-	-	1,534	1,534
Fees & Licensing	-	-	-	-	-	-	-	-	-	-	-	-	1,200	1,200
Incentives	-	-	-	-	-	-	-	-	-	-	-	-	433	433
Lobbying & Legislative Tracking	-	-	-	-	-	-	-	-	-	-	-	-	1,804	1,804
Loss Control / Training	-	-	-	-	-	-	-	-	-	-	-	-	3,907	3,907
Staff Expenses	-	-	-	-	-	-	-	-	-	-	-	-	1,827	1,827
Staff Salaries	-	-	-	-	-	-	-	-	-	-	-	-	40,197	40,197
Staff Retirement	-	-	-	-	-	-	-	-	-	-	-	-	7,421	7,421
Staff FICA	-	-	-	-	-	-	-	-	-	-	-	-	2,733	2,733
Staff Medical Insurance	-	-	-	-	-	-	-	-	-	-	-	-	6,454	6,454
Total administration expenses	-	-	-	-	-	-	-	-	-	-	-	-	189,133	189,133
Less increase in restricted net asset reserves	-	-	-	-	-	-	-	-	-	-	-	-	(3,760)	(3,760)
Less purchase of CRL investment	-	-	-	-	-	-	-	-	-	-	-	-	(52,122)	(52,122)
Total benefits and expenses	-	-	-	-	-	-	-	-	-	-	-	-	554,729	554,729
Net Income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	97,828	97,828
Contributed capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets, end of period	-	-	-	-	-	-	-	-	-	-	-	-	97,828	97,828

BOARD TRAINING OPPORTUNITIES

AGRIP Spring Conference

March 16-18, 2005
Huntington Beach, CA
Hilton Waterfront Beach Resort

PRIMA Annual Conference

June 6-8, 2005
Milwaukee, WI
Midwest Airlines Center

AGRIP Governance and Leadership Conference

November 14-16, 2005
San Antonio, TX
Hyatt Regency on the Riverwalk

**ANNUAL NOTICE OF REGULAR MEETING SCHEDULE OF THE BOARD OF
TRUSTEES OF THE UTAH COUNTIES INSURANCE POOL**

PUBLIC NOTICE is hereby given that the 2005 Annual Meeting schedule of the Board of Trustees of the Utah Counties Insurance Pool is as follows:

Regular meetings of the Board of Trustees of the Utah Counties Insurance Pool will be held on the third Thursday of each month of the year from the hour of 9:00 a.m. until finished, at 5397 South Vine Street, Murray, Utah, unless otherwise listed below or changed by action of a quorum of the Board of Trustees of the Utah Counties Insurance Pool.

TENTATIVE REGULAR MEETING DATES FOR 2005

February 17
April 19
June 3
August 18
October 13
December 15

A regular meeting may be canceled without notice by action of a quorum of the Board of Trustees. When, because of unforeseen circumstances, it is necessary for the Board of Trustees to hold an emergency meeting to consider matters of an emergency or urgent nature, the best notice practicable shall be given. No such emergency meeting of the Board of Trustees shall be held unless an attempt has been made to notify all of the members of the Board of Trustees and there is a majority vote in the affirmative to hold the meeting.

All regular meetings of the Board of Trustees shall be open to the public unless closed by the Board of Trustees in the manner described in §52-4-4, Utah Code Annotated, 1953 as amended, and, for a purpose described in §52-4-5, Utah Code Annotated, 1953 as amended.

ADOPTED AND APPROVED THIS _____ DAY OF _____, 2004.

BOARD OF TRUSTEES,
UTAH COUNTIES INSURANCE POOL

, President

UTAH COUNTIES INSURANCE POOL
2005 Risk Management Proposal

Liability

Coverage: Third-party Liability including bodily injury, property damage, and personal injury, exclusive of a \$250,000 Self-Insured Retention

Company: County Reinsurance, Ltd.

Form: Occurrence except for Public Officials' Liability which is Claims-Made

Loss Fund: None

Aggregate Excess Protection: N/A

Premium: \$555,685

Miscellaneous Costs: \$46,217 Additional Equity

Coverage Parts	Limit	Terms
General Liability	\$2,000,000 \$3,000,000	Per occurrence Aggregate per member
Law Enforcement Liability	\$2,000,000 \$2,000,000	Per occurrence Aggregate per member
Employee Benefits Liability	\$2,000,000 \$3,000,000	Per occurrence General aggregate per member
Automobile Liability	\$2,000,000	Per occurrence
Auto Medical Payments	\$5,000	Per person
Uninsured Motorists	Statutory	Per occurrence
Underinsured Motorists	Statutory	Per occurrence
Public Officials' Liability	\$2,000,000 \$2,000,000	Per occurrence General aggregate per member

Terms and Conditions:

- Terrorism coverage Buy-Back is 10% of the total premium.
- Terms indicated are subject to change based upon exposure adjustments, deterioration in loss experience, or any other factor that may have an impact on underwriters' assessment of this risk.
- Mold will be excluded by endorsement for all lines.

UTAH COUNTIES INSURANCE POOL
2005 Risk Management Proposal

Liability
Pricing Components

CRL Layer to \$1MM	\$230,617
CRL Layer \$1MM xs \$1MM	202,541
Risk Transfer	74,100
Operating Expense (@ 9%)	38,984
Special Reserve Fund (@2%)	9,443
Total Premium Expense 2004-2005	\$555,685
Additional Equity	\$46,217
Required Equity	\$188,857
Current Equity	\$142,640

UTAH COUNTIES INSURANCE POOL
2005 Risk Management Proposal

Specific Workers' Compensation
CRL/Safety National Casualty Corporation

Limits:

Coverage A – Workers' Compensation	Statutory	Limit
Coverage B – Employers' Liability	\$2,000,000	Each Accident
	\$2,000,000	Each Employee by Disease

Specific Retentions:

Workers' Compensation/ Employers' Liability	\$300,000
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Terms/Conditions:

- 90 Days Notice of Cancellation
- Voluntary Compensation
- All States Endorsement
- Policy Auditable
- No leased or chartered aircraft coverage⁽¹⁾

Exclusions:

Per Policy Form

Adjustable Exposure:

\$192,954,869 Estimated Payroll

Estimated Annual Premium:

\$337,984

⁽¹⁾ Coverage will be included for leased or chartered aircraft when exposure is provided to underwriter.

UTAH COUNTIES INSURANCE POOL
2005 Risk Management Proposal

Workers' Compensation
Pricing Components

CRL Layer to \$1MM	\$105,089
CRL Layer \$1MM xs \$1MM	52,114
CRL Corridor Funding	13,507
Risk Transfer Total	148,189
Operating Expense (@ 9%)	15,364
Special Reserve Fund (@2%)	3,721
Total Premium Expense 2004-2005	\$337,984
Additional Equity	\$24,789
Required Equity	\$74,429
Current Equity	\$49,640

COMPARATIVE PROPERTY REINSURANCE QUOTES

Marsh		Gallagher	
Limit	\$100 million	Limit	\$100 million
SIR	\$150,000	SIR	\$150,000
Earthquake limit	\$20 million	Earthquake limit	\$5 million
Premium	\$471,187 (Net)	Premium	\$605,231 (Net)
Boiler and Machinery	56,285	Boiler and Machinery	41,286
Total	\$527,472	Total	\$646,517
Fee		Fee	
TOTAL		TOTAL	

Marsh		Gallagher	
Limit	\$100 million	Limit	\$100 million
SIR	\$250,000	SIR	\$250,000
Earthquake limit	\$20 million	Earthquake limit	\$5 million
Premium	\$ (Net)	Premium	\$505,946 (Net)
Boiler and Machinery	56,285	Boiler and Machinery	41,286
Total	\$	Total	\$547,232
Fee		Fee	
TOTAL		TOTAL	

UTAH COUNTIES INSURANCE POOL

2005 Risk Management Proposal

Crime Coverage

Coverage: Crime and Employee Dishonesty

Company: Travelers Insurance Company

Coverage Parts: See below

Form	Limit	Terms
Money and Securities (Within premises)	\$150,000	Each and every loss excess of the Self-Insured Retention
Money and Securities (Outside premises)	\$150,000	Each and every loss excess of the Self-Insured Retention
Commercial Blanket Bond	\$1,000,000	Each and every loss excess of the Self-Insured Retention – excludes employees known to have committed fraudulent or dishonest acts.
Depositors' Forgery	\$1,000,000	Each and every loss excess of the Self-Insured Retention
Computer Fraud	\$1,000,000	Each and every loss excess of the Self-Insured Retention
Self-Insured Retention	\$150,000	Per occurrence
Member Deductible	\$500	Per occurrence
Premium	\$61,340	

Notes:

- The reporting period for crime losses is one year from expiration.
- Faithful performance is included in the Commercial Blanket Bond.

Excess Crime (Premium included above):

County	Premium
Davis	\$1,607
Tooele	\$643
Washington	\$1,607
Weber	\$10,929
Utah	\$1,607

AGENDA ITEM SUMMARY

Item Description

Reconsideration of endorsement to UCIP Coverage Agreement for **“EXCLUSION OF LOSS TO AND LOSS OF USE OF DATA, COMPUTER HARDWARE AND SYSTEMS”**

Background, Discussion

The Board of Trustees considered this proposed endorsement at its November meeting. Discussion regarding this endorsement concerned the clause **“This exclusion does not apply to any specific attack to your computer equipment.”**

By leaving in this clause, members have coverage for owned computer equipment that is specifically attacked by a hacking, virus spreading malware. An analogy that can be made is a disgruntled employee who drives his county vehicle through the equipment shed just before resigning. UCIP would cover this damage. Computer literate employees intent on harming their employer can cause great damage today by intentionally installing a virus or worm.

Recommendation

Staff recommends approval of the endorsement as originally submitted on November 12, 2004, and resubmitted herewith.

EXCLUSION OF LOSS TO AND LOSS OF USE OF DATA, COMPUTER HARDWARE AND SYSTEMS

Random Attack – Hacking Event or Computer Virus

The Pool will not pay for direct physical loss or damage caused by a random attack by a hacking event or computer virus. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Random Attack means the widespread attack, by a hacking event or computer virus, directed against the computer systems, software, data, or telecommunications systems of multiple organizations or persons who are not part of you, rather than solely at your computer systems, software, data, or telecommunications systems. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Hacking Event means an attack that allows unauthorized access or use of a computer or telecommunications system by electronically circumventing a security or procedure.

Computer Virus means a piece of code that is maliciously or fraudulently introduced into a computer or telecommunications system. Once introduced, the virus may destroy, alter, contaminate, or degrade the integrity, quality, or performance of data or any computer application software, computer network, or computer operating system and related software.

This exclusion does not apply to any specific attack to your computer equipment.

Specific Attack means the intentional attack, by a hacking event or computer virus, directed solely at your computer system, software, data or telecommunications system. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Denial of Services

The Pool does not cover any loss of earnings or extra expense caused by or resulting from denial of services.

Denial of Services means an intentional specific or random attack on your computer system or telecommunications system for the purposes of nuisance, sabotage, malicious tampering which has the effect of:

- Depleting system resources available through the Internet to authorized external users of your computer system or telecommunications systems; or
- Impeding Internet access of authorized external users to your computer system or telecommunications system.

JOINT POLICY
COUNTY VEHICLE USE

Operation of county vehicles is a significant risk exposure to every county. Vehicle accidents represent a substantial liability to the county. Vehicle accidents resulting in personal injury and property damage represent needless suffering, waste, and unnecessary cost to the county.

Employees are encouraged to drive in a safe, reasonable, and defensive manner. When operating a county vehicle, employees will maintain their full attention to driving activities. No phase of the job is of greater importance than safe driving. Employees shall comply with all traffic regulations, except as authorized for emergency vehicles.

County vehicles shall only be used for official county business, or when authorized through an Interlocal Agreement for business purposes deemed relevant to the county's interests. Operators of county vehicles will assume full responsibility for safe operation, as well as the safety and welfare of any passengers. Only county employees, volunteers and others authorized by Interlocal Agreement may operate county vehicles, unless specific authorization otherwise is made by the governing body. No one other than county employees will be transported as passengers except when required by county business. All operators of county vehicles shall review and agree to abide by all county rules and regulations relating to vehicle use.

Employee and occupant use of seatbelts is required in county vehicles. Child restraint devices shall be used in accordance with state law.

Before daily use of a county vehicle, drivers shall inspect the vehicle for visible damage, inoperable lights, under-inflated tires, or any other noticeable condition, which may create an unsafe situation.

The use of cellular telephones is discouraged while operating a county vehicle, unless a hands free system is used. Employees shall use due caution when using a cellular telephone while the vehicle is in motion. The primary responsibility of employees engaged in vehicle operations is the safe operation of the vehicle. Employees are encouraged to use a hands free system or safely park their vehicle out of traffic prior to engaging in a cellular telephone conversation.

Adopted ??/04

AGENDA ITEM SUMMARY

Item Description

Approve contract renewals.

Background, Discussion

UCIP contracts for the following services with the indicated provider:

1. Actuarial services-By The Numbers Actuarial Consulting, Inc.
Four year contract expires 8/21/2007
2. Workers' Compensation Third Party Claims Administration-Alternative Service Concepts
Two year contract expires 12/31/2005
3. Multiline Claims Management System-Mountain View Software
Three year contract expires 12/31/2006
4. Auditing and Accounting Compilations-Larson and Company-No contract.
Engagement letter signed annually.
5. Insurance brokerage and consulting-Arthur J. Gallagher
Three year contract expires 1/1/2005

Recommendation

Staff recommends continuing with 1, 2, and 3. Staff recommends authorizing the CEO to sign an engagement letter for audit only with Larson for the 2004 audit. Compilations will be performed by staff. Staff recommends not renewing 5.

AGREEMENT

THIS AGREEMENT, ("Agreement") is made and entered into this 21st day of August, 2003, by and between the following parties: By the Numbers Actuarial Consulting, Inc. and Utah Counties Insurance Pool and their successors and assigns, (hereinafter collectively referred to as the "Parties").

I. RECITALS

WHEREAS, Utah Counties Insurance Pool ("UCIP") desires to obtain actuarial consulting services; and

WHEREAS, By the Numbers Actuarial Consulting ("BYNAC") is engaged in the business of providing professional actuarial consulting; and

WHEREAS, BYNAC desires to provide certain actuarial consulting services to UCIP and UCIP desires to have BYNAC provide such services in accordance with the terms hereof and with the Request for Proposals dated June 30, 2003, to which BYNAC responded and was awarded at the UCIP Board of Trustees meeting of July 17, 2003, which is hereby incorporated by reference and made a part of this Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

II. AGREEMENT

A. Obligations of BYNAC

1. Using data provided by claims administrator pursuant to the timeline of Number 13 below, project historical losses on an occurrence basis by accident year and line of coverage, to ultimate levels, based on UCIP's historical retentions.
2. Estimate ultimate losses, IBNR and outstanding losses on a discounted basis.
3. Compare the latest estimates of ultimate loss with prior projections.
4. Project expected losses for next accident year.
5. Project cash flow outgo and changes in IBNR over the course of future years using estimates of projected 1992-2003 losses.
6. Calculate an Unallocated Loss Adjustment Expense reserve.
7. Provide estimates of funding requirements at confidence levels of 70%, 80%, 90%, and 95%.

8. Calculate member contributions annually using individual experience within the context of the Pool's overall experience.
9. Provide a final actuarial report including an executive summary (two bound copies and one unbound copy) documenting data used, conclusions, methodology, and assumptions, by timeline of Number 13 below.
10. Provide assistance to the outside financial auditor regarding questions they may have on reconciling their work and yours.
11. Assist UCIP staff to prepare any planned distribution to members of surplus and/or dividends.
12. Assist UCIP staff with preparing cost allocation for member counties for apportioning contributions within respective counties.
13. Develop a contribution schedule for the following year by October 1 of each year and a reserve analysis for previous year by March 1 of each year.
14. The following lines of coverage will be evaluated:
 - a) General/Other Liability, including auto, civil rights, errors and omissions, and
 - b) Law Enforcement, including detention centers.

B. Obligations of UCIP

1. UCIP shall promptly provide all claims data and other information as needed by BYNAC to timely complete its work.
2. UCIP shall pay BYNAC its service fees and legitimate expenses, in conformity with the terms of this Agreement. UCIP shall pay all invoices submitted by BYNAC within 30 days after UCIP's receipt of each invoice.

C. Mutual Obligations

1. Ownership of Record and Documents
 - a) All loss, claim, and reinsurance files, both hard copies and electronically generated or stored, are the property of UCIP and are considered confidential information.
 - b) BYNAC agrees not to reproduce, disclose, or disseminate any confidential information acquired or used arising from its fulfillment of this Agreement without the written consent of UCIP.
 - c) Upon termination of this Agreement, BYNAC shall immediately return all original material, any copies, and any compilations prepared for UCIP using original UCIP material, to UCIP.

2. Indemnification and Insurance

- a) BYNAC shall indemnify and save harmless UCIP and its representatives from and against all losses and claims, demands, suits, actions, payments and judgments arising from personal injury or otherwise, brought or recovered against UCIP or its representatives by reason of any negligent act or omission of BYNAC, its agents, servants or employees, in the execution of the contracted work, including any and all expense, legal and otherwise, incurred by UCIP or its representatives in the defense of any claim or suit.
- b) Unless otherwise indicated, BYNAC shall maintain in force at all times while performing the scope of work insurance coverage, which meets as a minimum, the following requirements:
- c) Workers' Compensation Insurance shall be in effect for all of BYNAC's employees performing the Scope of Work. Coverage will provide for statutory limits with an insurance company authorized to write such insurance in all states where the BYNAC's employees will work on this proposal .
- d) Commercial General Liability Insurance as shall protect BYNAC against claims for damages resulting from bodily injury, including wrongful death, and property damage (including broad form property endorsement), which may arise from operations under this contract whether such operations be by BYNAC or by any Subcontractor or anyone directly or indirectly employed by either BYNAC or Subcontractor. The minimum acceptable limits of liability to be provided by such General Liability Insurance shall be \$1 million Combined Single Limits.
- e) Professional Liability Insurance with limits of no less than \$1 million. Coverage will include protection for license and trademark infringements. If such coverage is on a claims-made basis, BYNAC must agree to maintain coverage for three years after conclusion of all services performed under this agreement through an extended discovery period.

3. Waiver of Nonperformance

No waiver of any default in performance on the part of BYNAC or like waiver by UCIP, or any breach or a series of breaches of any of the terms, covenants, or conditions of this agreement shall constitute a waiver of any subsequent breach or a waiver of said terms, covenants or conditions. The pursuit of any remedies referred to herein shall not be construed as a waiver of any other rights and remedies to which either party is entitled under this agreement or otherwise.

4. Entire Agreement

This Agreement, together with the applicable insurance policies, contains the entire agreement between BYNAC and UCIP. There are no other understandings or agreements, verbal or otherwise, in relation thereto, between the parties except as herein expressly set forth.

5. Governing Law

The validity, interpretation, and performance of this agreement shall be controlled and construed according to the laws of the State of Utah. The parties agree to the jurisdiction and venue of any duly authorized Court in Salt Lake County, Utah.

6. Assigns and Subcontracting

This agreement is personal to each of the parties and no party may assign or delegate that party's rights or obligations under this agreement without the written consent of the other party.

D. Relationship of the Parties

It is understood and agreed that BYNAC is engaged to perform services under this agreement as an independent contractor. The parties agree that neither party has any relationship with or contractual liability to the other with respect to the subject matter of this agreement other than as set forth.

E. Term and Termination Provisions

1. This agreement shall take effect on August 21, 2003 and continue until August 21, 2004. This agreement will be automatically renewed for three consecutive one-year terms beginning on August 22, 2005, 2006, and 2007 unless either party terminates the agreement by providing written notice to the other party at least 90 days before the expiration of any original or renewal term.
2. In the event of a material breach of this agreement, the non-offending party may terminate this agreement by providing 30 day written notice of termination to the other party.
3. Should either party desire to terminate this agreement for other than cause, the party pursuing the termination must provide 90 days notice of intent to the other party.

F. Fees

1. UCIP will pay BYNAC an annual fee of \$8,500 for the two studies as described in A. Obligations of BYNAC. The fee includes one business presentation in Salt Lake City. Any other trips to Salt Lake City will be paid by UCIP at the rate of \$500 per visit.
2. BYNAC may bill up to one half the cost of each study at the beginning of the study and the other half upon acceptance by UCIP.
3. Costs of data or material transfers will be paid by the sender or transmitter.

G. Notices

All notices as provided herein shall be in writing, and shall be sent by certified mail, postage prepaid, with return receipt requested to the following address or to such other address as either party may hereafter furnish:

For Utah Counties Insurance Pool:

Dannie R. McConkie, President
Utah Counties Insurance Pool
5397 South Vine Street
Salt Lake City, Utah 84107

For By the Numbers Actuarial Consulting, Inc:

Lisa Dennison
By the Numbers Actuarial Consulting, Inc.
Chesapeake Centre
205 Powell Place
Brentwood, TN

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Agreement between UCIP and BYNAC

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed on the date first written above.

UTAH COUNTIES INSURANCE POOL

By: 

Title: PRESIDENT

BYNAC, Inc.

By: 

Title: President

CLAIMS SERVICE AGREEMENT

This Claims Service Agreement ("Agreement") is entered into as of the 1st day of January 2004 by and among **ALTERNATIVE SERVICE CONCEPTS LLC**, a Delaware corporation ("ASC") and **Utah Counties Insurance Pool**, a trust established and existing pursuant to the laws of the state of Utah (the "Pool").

WITNESSETH:

- A. **WHEREAS**, the Pool is a trust which has been created to provide a comprehensive worker's compensation program to members of the Utah Counties Insurance Pool, a Utah not for profit corporation and the Pool desires to have ASC provide specific services in connection with such self-insurance program; and
- B. **WHEREAS**, ASC is, as of the effective dated of this Agreement, qualified pursuant to the laws of the State of Utah, to do business in the State of Utah and shall remain qualified during the term of this Agreement; and
- C. **WHEREAS**, ASC is licensed in accordance with all applicable regulation and law to perform its obligations under this Agreement; and
- D. **WHEREAS**, as of the effective dated of this Agreement, ASC is engaged in the business of servicing approved workers' compensation self-insurance programs; and
- E. **WHEREAS**, ASC is willing to provide the services set forth in this Agreement subject to the management and control of the Pool by its Board of Trustees and officers and on the terms and conditions hereinafter stated; and
- F. **WHEREAS**, ASC will provide a staff solely dedicated solely to perform its obligations under this Agreement and such staff will be maintained on the leased premises pursuant to the terms of the lease.
- G. **WHEREAS**, as an inducement tot he Pool to engage ASC for its services, ASC desires to acknowledge and agree to non-solicitation, non-competition and nondisclosure obligations set forth in this Agreement;

NOW, THEREFORE, for the sum of One Hundred Dollars (\$100.00) paid by each of the parties hereto to the other and the mutual covenants and conditions herein contained, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged the parties agree as follows:

SECTION 1. Services to be performed by ASC: Subject to the management and control of the Pool by its Board of Trustees and officers, ASC agrees to perform the following services (unless defined below as an Allocated Loss Expense), all services to be provided by ASC shall be provided at the sole cost and expense of ASC:

- A. With regard to CLAIMS ADMINISTRATION; ASC shall:
 - (1) Provide complete claims services necessary for the administration of a comprehensive workers' compensation insurance program. Specifically, ASC will review, prepare, oversee, supervise and timely file all claim and loss reports received from and on behalf of the Pool during the term of this Agreement and process each such claim or loss report in accordance with applicable statutory and administrative regulations of the State of Utah.
 - (2) Conduct a detailed investigation of each reported claim or loss under subparagraph 1.A.(1) above (hereinafter referred to as a "qualified claim or loss") in accordance with industry-wide best practices;
 - (3) Arrange for independent investigations by medical or other experts to the extent necessary in connection with processing any qualified claim or loss;
 - (4) Pay, pursuant to Section 2B below, medical and death benefits, temporary and permanent disability compensation and other losses and expenses, but only if in the judgment of ASC, each such payment would be prudent for the Pool and the amount of each separate disbursement

- in payment thereof does not exceed \$50,000.00, or the Board of Trustees of the Pool (the "Board of Trustees") or Chief Operating Officer of the Pool specifically approves or directs such action;
- (5) Perform reasonable, necessary and customary administrative and clerical work in connection with qualified claims or losses;
 - (6) Maintain a separate file for each qualified claim or loss, which files include the records, documents and other papers contained therein and any records in electronic format. Each such file and all their contents (including any records in electronic format) shall at all times (whether during or after the term of this Agreement), be and remain the exclusive property of the Pool, shall be available for review by the Pool at any reasonable time and shall be immediately returned or delivered to the Pool upon the termination or expiration of this Agreement or at any other time at the request of the Pool;
 - (7) Acknowledge in writing or by telephone to Pool members receipt of all qualified lost-time claims within twenty-four (24) hours of telephonic or written notification from Pool members of such claim or loss reports;
 - (8) Utilize, to the extent required by applicable law or regulation and as duly authorized and directed by the Pool, medical cost containment services and case management services including, but not limited to possible bill audit, utilization review, peer review and rehabilitation;
 - (9) Prepare, maintain and file all routine records and reports required by applicable state law or regulation with appropriate state and/or federal agencies and rating bureaus. In the event of a special request, the provisions of Section 1A(19) apply;
 - (10) Provide recommended claim reserves and continuous review and updating of claim reserves to reflect establishment and/or changes of such reserves;
 - (11) Assist in connection with the Pool's selection of counsel to defend qualified claims or losses, if requested by the Pool;
 - (12) Assist the Pool's counsel, if requested or if necessary, in preparing the defense of litigated cases, negotiating settlements and pursuing subrogation or contribution actions;
 - (13) Monitor the treatment programs recommended for employees by physicians, specialists and other health care providers by reviewing all reports prepared by them and maintaining all necessary contact with such providers as appropriate;
 - (14) Assist and advise the Pool in interpreting medical reports to consider the circumstances under which an ill or injured employee who desires to do so could return to work in the shortest period of time;
 - (15) Maintain a current estimate of the potential exposure of each qualified claim or loss;
 - (16) Prepare all statistical data necessary and customary for the administration of a comprehensive workers' compensation insurance program will be available through the use of the computer system and furnish to the Pool those claims, loss and other informational and customary reports upon request (unless otherwise set forth below) or as may be otherwise requested by the Board of Trustees from time to time in a form and manner reasonably acceptable to the Pool, including, but not limited to the following:
 - (a) State Reports (as needed)
 - (b) Federal 1099 Information (annually, in hard copy form and electronic format suitable for filing with the Internal Revenue Service)

- (c) Information required by regulatory authorities (including the Department of Insurance, the Industrial Commission, and the workers' compensation commission)

These reports shall at all times be and remain the exclusive property of the Pool. ASC shall file with the applicable regulatory authority, excess broker, reinsurer, actuary, agents or accountant of the Pool routine and customary reports as required on a periodic basis. In the event of a special request from a regulatory authority, excess broker, reinsurer, actuary, agents or accountant of the Pool, regarding the Pool which request is not routine, customary and periodic, the undersigned parties acknowledge and agree that they shall cooperate to prepare an appropriate response subject to the control and direction by the Pool regarding such response and subject to applicable law. The intent of this provision is to assure accurate information is provided to the applicable regulatory authority or inquiring party in the event of such a special request;

- (17) Provide on line access to the claim system so that the Pool may run reports on a routine basis.
- (18) Submit vouchers, on behalf of the Pool, for all valid claims and losses and all Allocated Loss Expenses incurred in connection with a qualified claim or loss, for which payment has been authorized under this Agreement or by the Board of Trustees or officers of the Pool. It is agreed that ASC shall have authority and control in all matters, subject to any guidelines or directives as may from time to time be established or set forth by the Board of Trustees, pertaining to the payment, processing, investigation and administration of qualified claims or losses within the limits established by this Agreement.
- (19) Provide written narrative reports in compliance with excess carrier guidelines and as otherwise requested by the Pool;
- (20) Promote and implement a toll free call service so those members of the Pool may report claims.

B. With regard to MEDICAL CONTROL, ASC shall:

- (1) Assist the Pool, where applicable state rules and regulations permit, in the selection of a panel of physicians or other providers of health care to initially treat employees and a panel of medical specialists to provide long-term, specialty or managed care;
- (2) The Pool will establish and maintain a trust account herein after referred to as the Claims Account. All vouchers will be submitted by ASC to the Pool for prompt payment, payable within three business days of receipt. Any payment in excess of \$50,000 will be approved by the Board of Trustees of the Pool. On behalf of the Pool, contract with as necessary, a medical representative to review and interpret medical reports, coordinate second opinions, and maintain communication with health care providers.

C. With regard to EMPLOYEE COUNSELLING, ASC shall:

- (1) If the Pool requests, consult with employee groups in regard to specific aspects of the self-insurance program;
- (2) Assist the Pool in developing policies and procedures to ensure that an employee's return to work or reassignment is consistent with any findings of an appropriate state administrative agency.

- D. With regard to PROGRAM DEVELOPMENT, ASC shall, upon the Pool's request:
- (1) Consult with key personnel of the Pool on the establishment and coordination of necessary procedures and practices to meet any applicable state requirements, all applicable legal requirements and the needs of the Pool;
 - (2) Participate in the orientation of the Pool's personnel who are directly or indirectly involved in the processing of qualified claims or losses;
- E. With regard to Annual Reports of ASC, shall provide the Pool, from time to time as reasonably requested by the Pool, unaudited financial statements of ASC, and, within ninety (90) days following the close of ASC's fiscal year, provide the Pool with audited financial statements of ASC which have been prepared by an independent certified public accountant in accordance with generally accepted accounting principles. Such financial statements shall be kept confidential by the Pool.
- F. ASC agrees to maintain a staff (the "Dedicated Staff") at the leased premises identified on the attached Exhibit A. The Dedicated Staff shall at all times consist of a staff including the minimum of one Claim Administrator, which shall be capable, qualified and licensed to perform their respective functions. The Dedicated Staff of ASC shall work exclusively in the performance of ASC's obligations under this Agreement and shall not be used in any other capacity whatsoever without the prior written consent of the Pool. In addition to the Dedicated Staff, ASC shall provide all other necessary staffing and resources required for the performance of its obligations under this Agreement.

SECTION 2.

Obligations of the Pool

- A. In consideration for the services to be provided by ASC as set forth in Section 1 of this Agreement, the Pool shall pay to ASC a service fee ("Service Fee") following the end of each calendar month during the term of this Agreement (each "Service Fee" for each Service Period shall be paid thirty days (30) following the end of each Service Period. The Service Fee shall be an amount based on cost plus twelve (12) per cent. Outlined below are the anticipated expenses, which will be reconciled to actual on a quarterly basis.

DEDICATED UNIT COST PLUS **– estimated expenses**

EXPENSE CATEGORY				
Base Salary			\$63,000	1 adjuster @ \$45,500 (start 1/1/04), 1 clerical/administrator at \$30,000 (start at 6/1). Hires on to occur if claim volume justifies it.
Benefits			\$15,750	
Systems			\$14,985	
Overhead			\$39,804	Includes corporate overhead, rent, utilities, etc.
Insurance			\$5,563	
Communications			\$6,000	
Travel and Entertainment			\$5,000	
Mail			\$3,000	
Supplies			\$1,500	
Medical Cost Management:				
Fee Scheduling			18%	of savings
PPO Usage			18%	of savings
Misscellaneous Fees			\$1,200	
	sub total		155,802\$	
	Profit 12%		\$18,696	
	Total		\$174,498	
One Time Expenses			\$7,550	Set up fees
	Grand Total		\$181,998	

Additional Services and Fees¹

Client Data Transmission.....	\$295 / Release
Carrier Data Transmission.....	\$400 / Release
Data Conversion From Prior Administrator.....	At Cost
On-Line Access (One User).....	No Charge
Additional Users	\$60 / User / Mo
Standard/Customized Reports Produced by the Mutual	No Charge
Standard/Customized Reports Produced by asc	\$50 / Copy
Systems Training	T&E (\$85 / Hr)
Customized Programming	\$180 / Hr
Index Bureau Reporting	\$6 / Report
Actuarial Data Requests	\$50 / Hr
Travel Over 100 Miles.....	T&E (\$85 / Hr)

¹ As required or requested. Most services are optional.

B. ASC will submit vouchers to the Pool for all payments associated with the WC claims.

C. It is the parties' interest that ASC's sole source of revenue, fees or compensation under this Agreement shall be from the Service Fee set forth in Section 2 A above. For purposes of this Agreement, "Allocated Loss Expenses " include the following:

- (1) Fees to attorneys for claims in suit and for representation at hearings or pretrial conferences; and
- (2) Fees to court reporters; and
- (3) All court costs, court fees and court expenses; and
- (4) Pre and post judgment interest paid as a result of litigation; and
- (5) Fees for service of process; and
- (6) Costs for undercover operative and detective services; and
- (7) Costs from employing experts for the preparation of maps, professional photographs, accounting, chemical or physical analysis or diagrams; and
- (8) Costs from employing experts for their advice, opinions or testimony concerning claims under investigation or in litigation or for which a declaratory judgment is sought; and
- (9) Costs for independent medical examinations and/or evaluation for rehabilitation and/or to determine the extent of the Pool's liability; and
- (10) Costs of legal transcripts of testimony taken at coroner's inquest, criminal or civil proceedings; and
- (11) Costs for copies of any public records an/or medical records; and
- (12) Costs of depositions and court-reported an/or recorded statements; and
- (13) Costs and expenses of subrogation when referred to outside attorneys; and
- (14) Costs of engineers, handwriting experts and/or any type of expert used in the preparation of litigation and/or used on a one-time basis to resolve disputes; and
- (15) Any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a claim or loss to which the protection or perfection of the subrogation rights of the Pool which must have the explicit prior approval of the Pool; and
- (16) Managed care services provided by ASC, either directly or indirectly through a third party subcontractor.

Allocated Loss Expenses shall not include:

- (1) Fees for attorneys who are employed by ASC except for fees incurred for services rendered under Section 2(D) (1) above; and
- (2) Any fee cost or expense included in the services to be performed by ASC under Section 1 of this Agreement.

D. The Pool shall designate a representative to work closely with ASC to review claim and loss schedules and other payment request schedules so that necessary funds are transferred on a timely basis into the Claims Account.

SECTION 3. ASC Qualifications and Registration Requirements:

- A. ASC will as of the effective date of this Agreement and for the duration of this Agreement, qualify, pursuant to the laws of the State of Utah, to do business in the State of Utah.
- B. As of the effective date of this Agreement, and for the duration of this Agreement, ASC will have made application to, and been approved by the appropriate agencies of Utah to engage in the business of servicing workers' compensation self insurance programs. As of the effective date of this Agreement, and for the duration of this Agreement, ASC will maintain all its licenses required by all applicable law and regulation to perform ASC's obligations under this Agreement.

SECTION 4. Geographic Limitations/Non Solicitation of Customers of Pool:

This Agreement shall cover all operations of the Pool in the State of Utah. ASC understands and agrees that ASC is performing all services pursuant to this Agreement in a fiduciary capacity on behalf of the Pool. All obligations of ASC to be performed hereunder shall be performed in such a manner and to the level of services as would be required of a fiduciary. ASC also agrees and acknowledges that during the term of this Agreement, and for the two (2) year period following the termination of this Agreement for any reason whatsoever, ASC will not, either directly or indirectly, individually or collectively, or through any insurance agent, claims administrator, insurer or otherwise, write insurance policies for, quote insurance policies to, or solicit, any employer who is a customer of the Pool in Utah.

SECTION 5. Term of Agreement and Termination:

- A. The term of this Agreement shall be for a period commencing on January 1, 2004 and ending on January 1, 2006 and this Agreement shall automatically renew for successive one (1) year periods thereafter; provided however, either party may terminate this Agreement at the end of the initial term or any successive term by providing written notice to the other party not later than ninety (90) days prior to the end of the term. Notwithstanding the above, either party may terminate this Agreement immediately for Cause upon providing written notice of such termination for Cause to the other party. For purposes of this Agreement, "Cause" shall mean:
 - (1) in the case of termination by the Pool:
 - (a) upon the dissolution, insolvency or bankruptcy of ASC;
 - (b) If ASC fails to perform as required in accordance with the terms of this Agreement (a "breach"), the Pool has notified ASC of such breach and ASC has not cured such breach within (15) fifteen days of such notice; provided that for those breaches that, in the opinion of the Board of Trustees of the Pool, jeopardize the existence of the Pool, the Pool shall be entitled to immediately terminate this Agreement by providing written notice to ASC.
 - (c) In the first 90 days of this Agreement's inception the Pool may terminate this contract for any reason and receive a full refund of the amounts paid to ASC.
 - (2) in the case of termination by ASC, if the Pool fails to perform in accordance with the terms of this Agreement, ASC has notified the Pool in writing of such failure to perform and the Pool has not cured such failure to perform within fifteen (15) days of such notice.

SECTION 6. All Files, Records, Information and other Documentation Property of the Pool

All files, documentation, information, papers and other information compiled, maintained or arising pursuant to the services performed by ASC pursuant to this Agreement shall be and remain at all times the sole and exclusive property of the Pool, regardless of whether during or after the term of this Agreement such files, documents, records, papers or other information are maintained at the premises of ASC, the Pool or elsewhere. Upon the termination or expiration of this Agreement, or at any other time requested by the Pool, ASC shall return or deliver all such files, records, documents, papers and other information to the Pool upon any request for all or a portion of same records. The files, records, documents, papers and other information referred to in this section shall include, but in no way be limited to, claims, loss, loss control, underwriting, agent and other related files.

During the term of this Agreement and at any time thereafter, ASC shall not disclose to any third party (or permit the disclosure of) such files, documents, records, papers or other information maintained or arising from the services performed hereunder except as expressly authorized in writing by the Pool.

SECTION 7. Insurance, Fidelity Bond

Throughout the term of this Agreement, with respect to the operations performed under or incident to this Agreement, ASC shall obtain and maintain insurance acceptable to the Pool which is primary as to any other existing valid and collectible insurance, and except for Errors and Omissions, Worker's Compensation, Employer's Liability and Contractual Liability, names the Pool as an additional insured. Such insurance shall include:

- A. Errors and Omissions Insurance Coverage of not less than One Million Dollars (\$1,000,000) or that amount as may be required from time to time by state law whichever amount is greater;
- B. A fidelity bond with coverage in an amount not less than the greater of Two Million Dollars (\$2,000,000) or that amount as may be required from time to time by state law, whichever amount is greater;
- C. Workers Compensation Insurance covering ASC, and, as required by law, ASC employees; and Employer's Liability Insurance as required by law;
- D. Comprehensive General Liability Insurance including the following coverage's
 - (1) Premises operation;
 - (2) Products liability/completed operation; and
 - (3) Contractual liability insurance

All of the above with a minimum combined single limit of One Million Dollars (\$1,000,000) for each occurrence (or the equivalent) for bodily injury and property damage, including personal injury.

- E. Automobile coverage for ASC employees with a combined single limit of \$1,000,000 and to include hired/non-owned coverage.

ASC shall furnish the Pool with certificates of insurance which provided that coverage will not be cancelled prior to thirty (30) days advance written notice to the Pool.

SECTION 8. Notices:

Any notice required to be given under this Agreement shall be sent by overnight, certified or registered mail, postage prepaid, or by overnight delivery or by facsimile to the following:

If to ASC Robert Bennett, CEO
 1415 Murfreesboro Rd. Suite 600A
 Nashville, TN. 37217
 Fax Number: (615) 360-1343
 Phone Number (615) 360-2820

If to the Pool

Lester Nixon
5397 S Vine Street
Murray, UT 84107
Fax Number: (801) 293-3480
Phone Number: (801) 293-3098

SECTION 9. Assignments/Successors

This Agreement shall not be assignable in whole or in part by either party without the prior written consent of the non-assigning party.

SECTION 10. Entire Agreement and Modification of Amendment

This Agreement represents the full and final understanding of the parties with respect to the subject matter described herein and supersedes any and all prior agreements or understandings, written or oral, express or implied. This Agreement may not be modified or amended without the prior written consent of the parties hereto.

SECTION 11 Indemnity

- A. ASC agrees to indemnify, defend and hold the Pool harmless from and against all reasonable costs, damages, penalties, claims demands judgments, attorney's fees, expenses, obligations and liabilities of any kind or nature which the Pool may incur or sustain as the result of any claims of any errors, omissions, torts, intentional torts, violations of law or other negligence on the part of ASC and/or its employees and subcontractors.
- B. The Pool agrees to indemnify, defend and hold ASC harmless from and against all reasonable costs, damages, claims, demand, judgments, attorney's fees, expenses, obligations and liabilities of any kind or nature which ASC may incur or sustain as the result of any claims resulting from errors, omissions, torts, intentional torts, violations of applicable law, or negligence on the part of the Pool and/or its employees.

SECTION 12. Applicable Law:

The terms and conditions of this Agreement shall be governed by the laws of the State of Utah.

SECTION 13. Severability:

The invalidity or un-enforceability of a particular provision of this Agreement shall not affect the other provisions hereof; and this Agreement shall be construed in all respects to the extent possible, as if such invalid or enforceable provision(s) were omitted.

SECTION 14. Headings:

Headings herein are for convenience of reference only and shall not be considered in any interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and date first above written.

ALTERNATIVE SERVICE CONCEPTS LLC.

By: Robert Bennett
Robert Bennett CEO

UTAH COUNTIES INSURANCE POOL

By: Dan R. McConkie
Dan R. McConkie

MountainView Software's
Response to:
Utah Association of Counties Insurance Mutual
Request for Proposal
August 2003

Prepared by:
Steve Schmutz
Vice President, Sales & Marketing
MountainView Software
801-544-2446 x303
steve@mvinc.com
Kaysville, Utah

Part 1

Introduction to Company and Products

A. Vendor Information

1. MountainView Software
A division of Gallagher Bassett Services, Inc.
2. 335 N. 300 W.
Suite 104
Kaysville, Utah 84037
3. 801-544-2446, or 888-533-1122
4. Steve Schmutz, Vice President Sales & Marketing
5. Our first Risk Management software application, ClaimZone First Report, was initially released in November 1996.
6. MountainView Software has 18 employees, all located in our Kaysville, Utah offices. Our parent company, Gallagher Bassett Services, is based in Itasca, IL and employees approximately 4,000.

B. General Product Information

1. ClaimZone®
ClaimZone is a full-featured claims administration software application. Current version is 3.0.1.
Licensing is based in concurrent users, which means you need to purchase as many licenses for users that will be accessing ClaimZone *at the same time*. In other words, if you purchase three licenses, you will be allowed to have three users in ClaimZone at the same time. If a fourth user attempts to access the software they will not be allowed.

ClaimZone First Report®

ClaimZone First Report is a companion product to ClaimZone. It is used for generating the First Report of Injury and federal OSHA reports. ClaimZone First Report licenses are *included* with ClaimZone. No additional licensing is required.

ClaimZone Client Access™

ClaimZone Client Access is a web-based tool used for accessing claim information via the Internet. Client Access users are typically customers who required access to claim data, but do not need full "Adjuster" type access. This allows a company such as UCA to give access to each county, without giving the

counties the ability to modify claim data. Licensing for ClaimZone Client Access is the same as for ClaimZone.

IFROI.com®

IFROI.com is a web site used for entering claims. Users are given a Login ID and password. Based on their ID, IFROI.com is able to pre-fill much of their data. The user enters the claim information as it appears on a paper version of the state First Report. The data is transmitted and imported into ClaimZone. Users may print a paper copy of their state's First Report for their own records. The ability to generate OSHA reports is also an option on IFROI.com

ClaimZone Enterprise Edition®

MountainView Software is currently developing a 100% Java-based application for Wal-Mart Stores, Inc. The product, called ClaimZone Enterprise Edition (CZEE), will include all features found in the client/server version of ClaimZone, plus many advanced and new features. CZEE will be available Spring 2004.

2. As of July 1, 2003 there are approximately:
25 organizations using ClaimZone.
150 organizations using ClaimZone First Report.
5 organizations using ClaimZone Client Access.
100 organization using IFROI.com.

3. Initial Product Release Dates:

ClaimZone - July 2000

ClaimZone First Report - November 1996

ClaimZone Client Access - March 2001

IFROI.com - May 2000

ClaimZone Enterprise Edition (Browser-based): Target release date April 2004

4. Product Software Release History:

ClaimZone:

Initially released July 2000. Approximately 5 new versions were released in the first year, and 4 new versions in the second year.

ClaimZone First Report:

Since its initial release in 1996, approximately 15 new versions have been released. The last version (5.1) was released in November 2002.

ClaimZone Client Access:

Since its initial release approximately five new versions have been released.

IFROI.com:

Since its initial release approximately 20 new versions have been released.

The releases mentioned above do not include minor releases.

5. MountainView Software employs the following:
9 Full-time Programmer/Analysts
3 Full-time Technical Support/Testing Specialists
4 Part-time (20-35 hours per week) Report Creation Specialists
6. It's very hard to determine the amount of money spent on R&D over the past few years. Since almost all of our employees are involved in R&D, and since most of our office expenses support those employees, you could estimate at least 80 % of our expenses are related to R&D.
7. System enhancements are included in our normal upgrade versions. Upgrade versions are available as part of the "Annual Technical Support and Upgrade" fees, which are required for each user. All enhancements to existing features, and newly added features/functionality are included for all users.
8. As described in #7, all users are required to be covered under the "Annual Technical Support and Upgrade" fees. This not only includes upgrades, but also maintenance and bug fixes. Pricing is approximately 20 percent of licensing fees, and are paid annually.
9. Yes, support is provided via phone. There is no additional charge beyond the annual fees mentioned above.

Part 2

Features, Functions, Technical Information, Training, Documentation, Support, and Modifications

C. Features and Functions

- | | | |
|-----|--|--------|
| 1. | Adjuster Diaries | Yes |
| 2. | Adjuster Notes | Yes |
| 3. | Loss Control Reports | Yes |
| 4. | Policy Reporting
Detailed answer: ClaimZone has many policy related functions and reports. It is not, however, a full-features policy management system. | Yes |
| 5. | Ad Hoc Reporting
Detailed answer: ClaimZone does not have a built-in Ad Hoc reporting module. Ad Hoc reports can be created very easily with other reporting tools such as Crystal Reports® and Microsoft SQL®. | Yes |
| 6. | Email Interface
Detailed answer: We are currently writing an interface to Microsoft Outlook, but it will not be available until October 2003. | No |
| 7. | Calendar | Yes |
| 8. | Printout of all screens | Yes |
| 9. | Ad Hoc report writer tied to system security | No |
| 10. | Accounting controls on reserves | Yes |
| 11. | Printout to show overpayment of reserves
Detailed Answer: Since ClaimZone does not allow the user to create payments which would take them below zero Reserves, there is no need for such a report. | No |
| 12. | Field to describe legal case | Yes |
| 13. | Track claim settlements or rewards | Yes |
| 14. | Payments made on a closed file
Detailed answer: This is an option you can set in the Administration program. You can choose whether or not you will allow this. | Yes/No |
| 15. | Claim be set up without a reserve | No |
| 16. | Open multiple claims without having to exit to main menu | Yes |
| 17. | Print checks and vouchers for multiple accounts | Yes |
| 18. | Batch and print checks under separate accounts | Yes |
| 19. | Print a check register | Yes |
| 20. | Bank reconciliation - Indicate whether checks have cleared | Yes |
| 21. | Utilize historical data for current time comparisons. | No |

- | | | |
|-----|--|-----|
| 22. | Field for a description of how loss occurred | Yes |
| 23. | Correspondence letters linked to claim screen for viewing | Yes |
| 24. | Scroll forward or backward within on-line screen | Yes |
| 25. | Combine two or more codes for purpose of printing one check.
Detailed answer: You can "roll-up" several payment requests onto one check. For example, a physician may send several bills for the same claim. All bills can be rolled up into one check, and the accompanying EOB will properly list all the bills (invoice numbers). | Yes |
| 26. | Mechanism for tracking penalties paid by claim, adjuster, or amount | Yes |
| 27. | Reserves and Diary entries zeroed out when claim is closed? | Yes |
| 28. | Can losses be accessed by codes | Yes |
| 29. | Certificate of Insurance feature | No |
| 30. | Guarantee response time of 2 seconds or less
Detailed answer: We cannot guarantee that your connection to the internet will be "up" and running properly. We have our servers running on T-3 lines which offer extremely fast connections, but our customers' connections to those servers is impossible for us to determine. | No |
| 31. | Describe the product security Features:
Answer: ClaimZone security is very similar to Windows NT security. Groups are defined with various rights and limits. Then users are created and assigned to a Group. | |
| 32. | Features Plan to Have in the Future:
Answer: We are adding a number of features to future versions of ClaimZone, including the following: <ul style="list-style-type: none"> • Web version of ClaimZone. Currently developing a 100% Java based version for use over the Internet • Triangle Reporting (see RFP question 21) • Improved security, allowing users to be part of multiple groups | |
| 33. | Scanning Systems:
ClaimZone is compatible with all scanning systems. You can attach any type of file (typically a TIF format) to ClaimZone. | |
| 34. | Easily Import/Export data in various formats? | |
| | WordPerfect | No |
| | MS Word | Yes |
| | MS Excel | Yes |
| | ASCII file format | Yes |
| | Other file transfer programs | |

Detailed answer: MountainView Software has written dozens of import and export functions. We have written import functions for several HR/Payroll programs, and export functions to all sorts of other systems, including Pyramid. We can write any type of import or export system you request.

35. Is the ability to export/import based on latest versions of products listed above? No
36. Each report screen linked to a selection screen to narrow the range of data being reported? Yes
37. Diary System and Calendar Function Yes
Answer: ClaimZone has a very powerful Diary feature, allowing the user to set diaries for any date in the future. You can also set diaries for other users, as long as you have proper authority to do so.
38. Normal procedures for navigating different screens within a claim: Please refer to the screens shots provided. As you can see, ClaimZone uses a "tree view" interface similar to MS Explorer.
39. Ad Hoc reports with any data on the system? Yes
40. In the case of Recovery, how is the adjustment made?
ClaimZone uses a negative adjustment to post the recovery. The original amount is maintained in the system, with a separate entry for the recovery.
41. Describe the ways to do a claim search:
When you click on the "Open" button, or select Open from the menu, the "Open Claim" dialog box appears. The default way to search for a claim is by claimant's name, but you can choose from a drop down list nearly every field in the database. For example, you can search on SSN, Claim #, City, State, Date of Loss, and many other fields.
42. Windows versions:
ClaimZone runs on any version of Windows except 3.x. We recommend 2000 or XP.
43. Describe your Litigation feature. Can the system track billings per firm, defense and plaintiff costs per file, etc. Yes
ClaimZone's Litigation module tracks all pertinent aspects of the case, and each important event of the case, such as briefs, hearings, depositions, etc. The financial aspects of the case (billings, etc) are tracked in the Financial module. Pay Codes specific to litigation can be set up to carefully track costs.

D. Technical Information

1. Minimum Hardware Configuration for the Workstation:
400 MHz
20 MB Disk Space
64 MB RAM
Windows 95 or higher
800 x 600 monitor resolution
2. Recommended Hardware Configuration for the Workstation:
1 GHz
20 MB Disk Space
128 MB RAM, or more
Windows 2000 or XP
1024 x 768 monitor resolution or higher
3. ClaimZone is written in Borland's Delphi programming language.
4. Do you allow the option of purchasing source code and declining ongoing maintenance? No
5. What type of database?
MS SQL 2000
6. Backup and Recovery procedures:
We take advantage of the built-in backup and recovery features within MS SQL.
7. What is your strategy for providing access to and integration with Windows 2000 servers, IBM Mainframes, and databases?
We recommend Windows 2000 Servers. We can work with IBM Mainframes where needed. We have done data integration with other customers where their data was stored on an AS/400. As for databases, we can integrate/interface with virtually any database.
8. Does the system have client/server architecture? If so, please describe the client process.
Yes, ClaimZone has a client/server architecture. A client-side application is installed on each workstation. It points to the server, where the data, and some of the main programs reside. The client is not resource hungry, as most of the data crunching, etc, takes place on the server.
9. Does the system have the capability of tailoring different menus to different categories of users? No.
Detailed answer: We do not allow users to modify the menus or buttons within ClaimZone. We seriously considered allowing that functionality, but the technical support repercussions would have been enormous.

10. Does the ad hoc capability allow the user to develop, store, and recall for use the inquiries directory? Yes
Detailed answer: Using MS SQL, you can create, save, and store queries and user-defined reports.
11. How many claims can be kept open at once on a user's screen?
Answer: There is no limit other than the user's RAM.
12. When reports are running, does the user still have normal response from and access to the system? No
Detailed Answer: Almost all reports run in just a few seconds. There is very seldom a lengthy wait for reports. The exception would be some of the Loss/Run reports if you have a lot of data in the system.
13. How much computer storage space is required for:
a) the client: 25 MB
b) the server: 25 MB (not counting data)
Details: The server does not necessarily need the executable files installed. You could have just the data on the server and minimize the amount of space required.
14. Does the system have the ability to archive and restore old claims? No.
15. Are reserves and diary entries automatically zeroed out when a file is closed?
Answer: Reserves are all closed out, but any remaining diary items stay open. The adjuster may want to follow up on something even though the claim is closed. Keeping diaries open allows for that possibility.

E. Training

1. Describe your initial user training program. Include scope, length of time, location.
Answer: We offer a two part training program. At the time of installation, we spend one day with the users. We cover the entire product. Then we return 2-4 weeks later and do a follow up training day. This gives the users a chance to "play" with the software and become more familiar with it. The second session is always very productive because users have good questions, and can get deeper into the features since they have had a chance to learn and use the product for several weeks. All training is performed at the customer's site.
2. What are the qualifications of the trainers?
Answer: Our trainers have either worked in our technical support department, testing department, or technical sales and are very knowledgeable in all of our products. They have excellent people skills.

3. Is additional training available for new employees or new releases?
Answer: Yes. Training can be requested at any time.
4. Is on-going training available? If so, please describe?
Answer: We typically do not offer on-going training, simply because our customers have not requested it. If you would like on-going training, we are happy to tailor a program to fit your needs.
5. Do you also provide video taped training?
Answer: Not at this time, but we are planning to provide this in the future.
6. Do you have a written training program available?
Answer: We don't have materials specific to training, but we can provide a printed manual for each person.

F. Documentation

1. What manuals or documentation are provided with the product?
Answer: ClaimZone is completely documented on-line. We also provide additional materials on our web site.
2. What is the procedure for updating the manuals?
Answer: When new functionality is added to the product, we update the on-line Help system. The new files are uploaded to our "Users Only" site on the Internet. The Help files may be downloaded and incorporated into the installed ClaimZone.
3. What is the distribution method?
Answer: As mentioned above, MountainView Software has a site for licensed ClaimZone users. The site contains Help files, software updates, FAQ documents, etc.
4. Will software that matches the operation of the software be available at the time of delivery?
Answer: Yes.

G. Support

1. List the locations of the nearest support offices.
Answer: Kaysville, Utah
2. List by location the number of employees devoted to support of the product.
Answer: 4 in Kaysville, which is our only office.

3. During what hours is support available? Is it included in the basic fee?
Answer: Support hours are from 7:00am to 5:00pm Mountain time, Monday through Friday. Support is priced separately from the licensing fee, and is based on the number of users. Please see the pricing breakdown in section III part C.
4. What is the experience level of the phone support personnel?
Answer: The average number of years in technical support for our technicians is five. They are all very technical and adept at troubleshooting. Each receives on-going training, both in-house and from outside conferences.
5. What are the problem management and escalation procedures?
Answer: You will be assigned to one particular support technician. He or she will be your first contact. We believe that assigning a particular technician to each account helps the customer receive the best possible support as the technician becomes familiar with their specific needs. If the technician is not able to determine the problem, he or she has direct access to our programming staff. If our customers are not satisfied, for whatever reason, with our technical support, they may contact Steve Schmutz, Vice President. Steve oversees all customer service and support.
6. What consulting support is available for the product (technical, functional, etc)?
Answer: We offer all types of consulting, including technical, system, database, and even claims management through our parent company Gallagher Basset Services.
7. What are their ranges of experience and skill sets?
Answer: Extremely variable. We have technicians/consultants with varied college degrees, and expertise.
8. Is there a User Group for the product(s)?
Answer: We are piloting a user group at this time.
9. User Group Contact:
Josh Poe, Senior Technical Consultant
801-544-2446 x305
josh@mvsc.com
10. Is there an additional cost for service during the other-than-normal business hours?
Answer: Yes. After hours technical support is \$200 per hour, with a \$100 minimum. It is available 24 hours per day, 365 days per year.

H. Modifications and Enhancements

1. If a "bug" is discovered, how it is communicated to the users?
Answer: Part of our "users only" site includes a feedback option for reporting bugs and other issues with the software.
2. Are new manuals distributed with each release?
Answer: The on-line Help files are updated, but printed manuals are not distributed unless requested.

I. Conversion

1. Describe how you will handle the conversion process?
Answer: We will need a layout of your databases, and as much explanation of tables and fields as possible. We will use a sub-set of your data to go test the conversion. You will be required to test each iteration and assure that all the fields are being converted properly.
2. Do you have experience with converting Pyramid?
Answer: Not directly. We have, however, written an import process from our software into Pyramid and are therefore very familiar with the system and its databases.

Part 3

References

J. References

Victor Gloria
Sr Vice President
Pan Pacific Benefits Association
Pasadena, CA
909-743-8079
vpico3@msn.com

Victor has been using MountainView Software products for over six years. As a TPA, he works with many different types of organizations.

Brigid Seifert
Claims Manager
EOS Health
Scottsdale, AZ
480-377-3010
b.seifert@eoscomp.com

Brigid has been using ClaimZone for a little over a year. EOS works with many city and county organizations.

Dave Lehenbauer
Director of Claims
Wal-Mart Stores, Inc.
Bentonville, AR
479-204-1112
drlehen@cmiw.com

Wal-Mart has been using MountainView Software's First Report software for six years. MountainView Software is now developing a web-based version of ClaimZone for Wal-Mart.

Part 4

Pricing

Introduction

MountainView Software does not sell or provide services for hardware. This proposal does not include hardware pricing.

Purchase Costs

ClaimZone licensing is based on a Concurrent Per User basis. This means that UAC may have as many users defined within the system as they need, but only license the number of users who will be accessing the software at any given time.

In other words, UAC may have seven individuals who at one time or another need to access ClaimZone. But, only a maximum of three users will be using the software at the same time. UAC would need to purchase three licenses.

Licensing for First 2 Users:	\$15,000
Each additional user license:	\$6,200

Upgrade, Maintenance, and Support Costs

Please note that MountainView Software charges a single, per-user fee for upgrades, maintenance, and technical support. The RFP breaks these three items into separate categories. Since MountainView Software combines these services into one fee, they are listed here together.

Annual Technical Support and Upgrade Fees (2 users):	\$2,400
Annual fees for additional users:	\$1,200

Documentation and Training Costs

MountainView Software recommends two on-site, hands-on training sessions. A MountainView Software trainer will offer on-site training at the UAC facilities for all users. The training cost shown below covers *both* training sessions.

On-Site Training:	\$2,500
Documentation:	No extra charge

Other Costs

MountainView Software offers other services, as listed below. All of the services listed below are optional *except for* the installation and implementation fee, which is required.

Installation and Implementation: \$2,500

Data Conversion: Variable Cost

This fee is based on \$150 per hour. MountainView Software will provide a written, fixed-cost bid. Typical data conversions cost between \$5,000 and \$10,000.

Custom Programming: \$150/Hour

MountainView Software offers custom programming to add features/enhancements to ClaimZone which the customer specifically requests.

Taxes: No Sales Tax because of UAC exemption
No other taxes required

Cost Summary

The following cost summary is **based on two user licenses**, plus the associated annual fees. The table shown here replicates the table on page 13 of the RFP.

Project Cost Summary Sheet						
Vendor Name: MountainView Software			Option Bid: client/server version			
Cost Category	One-Time Costs	On-Going Year 1	Year 2	Year 3	Year 4	Year 5
a. Software	\$15,000					
b. Hardware						
c. Special Equipment						
d. Estimated Expenses	\$100					
e. System Operation						
f. Maint. Costs	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
g. Other: Installation	\$2,500					
Other: Tech Support	Included	Included	Included	Included	Included	Included
Other: Conversion	* \$7,500					
h. Training Costs	\$2,500					
i. Document. Costs	No Charge					
j. Updated versions	Included	Included	Included	Included	Included	Included
Totals	\$30,000	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400

* Estimate. Actual cost will be determined after reviewing current data structure.

Please see next page for additional options.

MountainView Software is currently developing a Java (J2EE) based version of ClaimZone which will be called ClaimZone Enterprise Edition. This version is being developed as part of a large contract with Wal-Mart Stores, Inc. of Bentonville, Arkansas. ClaimZone Enterprise Edition will be available for commercial resale approximately April 1, 2004. ClaimZone Enterprise Edition will be offered as an ASP application. The fees listed here are estimates, as pricing for this product/model have not been finalized.

This estimate, like the one on the previous page, is based on two concurrent users.

Project Cost Summary Sheet						
Vendor Name: MountainView Software			Option Bid: Enterprise Edition			
Cost Category	One-Time Costs	On-Going Year 1	Year 2	Year 3	Year 4	Year 5
a. Software	\$20,000					
b. Hardware	Included	Included	Included	Included	Included	Included
c. Special Equipment	Included	Included	Included	Included	Included	Included
d. Estimated Expenses	* Internet	* Internet	* Internet	* Internet	* Internet	* Internet
e. System Operation	Included	Included	Included	Included	Included	Included
f. Maint. Costs	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
g. Other: Installation	\$2,500					
Other: Tech Support	Included	Included	Included	Included	Included	Included
Other: Conversion	** \$7,500					
h. Training Costs	\$2,500					
i. Document. Costs	No Charge					
j. Updated versions	Included	Included	Included	Included	Included	Included
Totals	\$36,500	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000

* UAC is responsible for connection to the Internet. Must be at least DSL quality. T-1 recommended.

** Estimate. Actual cost will be determined after reviewing current data structure.

Project Cost Summary Sheet						
Vendor Name: MountainView Software			Option Bid: Beginning with Client/Server version, then converting to Enterprise Edition (Conversion date April 2004)			
Cost Category	One-Time Costs	On-Going Year 1	Year 2	Year 3	Year 4	Year 5
A1. Client/Server Software	\$15,000					
A2. Enterprise Software	*** \$5,000					
b. Hardware	Included	Included	Included	Included	Included	Included
c. Special Equipment	Included	Included	Included	Included	Included	Included
d. Estimated Expenses	100	* Internet	* Internet	* Internet	* Internet	* Internet
e. System Operation	Included	Included	Included	Included	Included	Included
F1. Maint. Costs	\$2,400	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
F2. Add'l Maint costs	*** \$1,600					
g. Other: Installation	\$2,500					
Other: Tech Support	Included	Included	Included	Included	Included	Included
Other: Conversion	** \$7,500					
H1. Training Costs	\$2,500					
H2. Add'l Training	*** \$1,000					
i. Document. Costs	No Charge					
j. Updated versions	Included	Included	Included	Included	Included	Included
Totals	\$30,000 <u>\$7,600***</u> \$37,600	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000

* UAC is responsible for connection to the Internet. Must be at least DSL quality. T-1 recommended.

** Estimate. Actual cost will be determined after reviewing current data structure.

*** Payment not due until fully converted to Enterprise Edition.



LARSON & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

December 2, 2004

Utah Counties Insurance Pool

5397 South Vine Street
Murray, UT 84107

We are pleased to confirm our understanding of services we are to provide for **Utah Counties Insurance Pool** for the year ended December 31, 2004. We will audit the basic financial statements of **Utah Counties Insurance Pool** as of and for the year ended December 31, 2004.- Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements.

1. Management's discussion and analysis
2. Budgetary comparison schedule
3. Premium and loss development schedule

Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of accounting records of **Utah Counties Insurance Pool** and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Our audit will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify reportable conditions, that is, significant deficiencies in the design or operation of internal control. However, during the audit, if we become aware of such reportable conditions, we will communicate them to you.

Utah Counties Insurance Pool

December 2, 2004

Page 2

We will also provide reports (that do not include opinions) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with laws, regulations, contracts, and agreements. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will advise you in the preparation of your financial statements, but the responsibility for the financial statements remains with you. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Your responsibilities include the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Utah Counties Insurance Pool

December 2, 2004

Page 3

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Identifying and ensuring that **Utah Counties Insurance Pool** complies with laws, regulations, contracts, and agreements is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of **Utah Counties Insurance Pool's** compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Audit Procedures - Internal Control

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on **Utah Counties Insurance Pool's** financial statements.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. (Tests of controls are required if control risk is assessed below the maximum level.) Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform you of any nonreportable conditions or other matters involving internal control, if any, as required by Government Auditing Standards.

Audit Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing.

The audit documentation for this engagement is the property of Larson & Company and constitutes confidential information. However, we may be requested to make certain audit documentation available to the Utah State Auditor's Office pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Larson & Company personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to the Utah State Auditor's Office. The Utah State Auditor's Office may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

Utah Counties Insurance Pool

December 2, 2004

Page 5

We expect to begin our audit on approximately February 18, 2005 and to issue our reports no later than March 11, 2005.

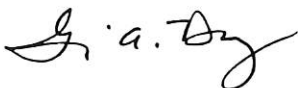
We estimate that our fee for the audit, based on our standard hourly rates, will not exceed \$9,950. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2002 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

LARSON & COMPANY, P.C.



Geri A. Douglas, CPA
Officer/Shareholder

RESPONSE:

This letter correctly sets for the understanding of **Utah Counties Insurance Pool**

By:

Title:

Date:

Agreement (Insurance) – Client & Arthur J. Gallagher & Co.

AGREEMENT

THIS AGREEMENT is made and entered into this 1st day of January, 2002 by and between Utah Association of Counties, a corporation ("Client"), and ARTHUR J. GALLAGHER & CO. ("Gallagher"), a Corporation

I. RECITALS

- A. Client desires to insure its general liability, crime, automobile liability and physical damage, property, public official's E & O, risks.
- B. Gallagher is engaged in the business of advising its clients on their insurance needs and procuring insurance on behalf of its clients as an insurance broker.
- C. Gallagher desires to provide certain administrative services and required insurance brokerage services to Client, and Client desires to have Gallagher provide such services in accordance with the terms hereof.

II. TERM & TERMINATION

A. TERM

This Agreement shall be effective for an initial term of three year(s) commencing January 1, 2002, renewing annually, and shall remain in full force and effect until January 1, 2005. Thereafter this Agreement shall be automatically renewed for successive one-year terms until terminated as provided herein.

B. TERMINATION

Either party may terminate this Agreement, with or without cause, upon the conclusion of the initial term or the conclusion of any successive renewal term by providing thirty (30) days prior written notice. In the event either party materially breaches this Agreement at any time, this Agreement shall terminate upon the failure of the breaching party to remedy the breach with thirty (30) days of receipt of written notice of the breach.

III. AGREEMENT

A. OBLIGATIONS OF GALLAGHER

- 1. Gallagher shall provide services in accordance with Exhibit A, attached hereto and made a part hereof.
- 2. Gallagher shall use its best efforts to secure insurance required for the proper administration of Client's business. In the event an insurance company cancels or refuses to place the necessary insurance, Gallagher shall use its best efforts to obtain the coverage from another insurance company.

B. OBLIGATIONS OF CLIENT

- 1. Gallagher shall receive its usual and customary brokerage commission for the services provided hereunder.

Gallagher will be charging a fee of \$80,000 for one year, each year, which is an insurance related service. Utah Code Ann. §31A-23-401

- 2. In addition to the fees (commissions) provided herein, it is understood and agreed that other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers, and similar parties, some of which may be owned in whole or in part by Gallagher's corporate parent, may earn and retain usual and customary commissions and fees in the course of providing insurance products to

client pursuant to this Agreement. Any such fees or commission will not constitute compensation to Gallagher under Section III.B.1 above.

3. Gallagher from time to time enters into arrangements with certain insurance carriers or those carriers' reinsurers providing for compensation, in addition to commissions, to be paid by such carriers or reinsurers to Gallagher or its affiliates based on, among other things, the volume of premium and/or underwriting profitability of the insurance coverages written through Gallagher by such carriers or reinsurers. In addition, Gallagher and its affiliates provide management and other services to, and receive compensation for those services from, certain reinsurers that reinsure insurance coverages written through Gallagher by other insurance carriers. The insurance coverages you purchase through Gallagher might be issued by an insurance carrier or reinsured by a reinsurer that has such a relationship with Gallagher or its affiliates.
4. Client is responsible for payment of premiums for all insurance placed by Gallagher on its behalf.
5. If any amount is not paid in full when due, including premium payments to insurance companies, that nonpayment shall constitute a material breach of this Agreement that shall allow Gallagher to terminate this Agreement, at its option, in accordance with Section II.B
6. Gallagher may collect commission on certain placements including TULIP, special events programs, bonds and boiler & machinery and other policies as may be needed from time to time. However all commission shall be disclosed to the Mutual.

C. MUTUAL OBLIGATIONS

1. Ownership of Records and Documents

- a) Gallagher agrees that all books, records, lists of names, journals, ledgers, and other recorded information developed specifically in connection with the administration of Client shall always be and remain the property of Client.

Gallagher agrees to keep all such material confidential and not to reproduce, disclose, or disseminate the material or the information contained therein to third parties without the prior written consent of the Client. Upon termination of this Agreement for any reason, Gallagher shall immediately return all such material, and any copies thereof, to Client.

- b) Client agrees that Gallagher is the sole owner of the following material and that Client has no right to its use following termination of this Agreement:

- (1) Proprietary computer programs;
- (2) Proprietary procedures and methods of administration; and
- (3) Underwriting and client files developed by Gallagher.

Client agrees to keep all such material confidential and not to reproduce, disclose, or disseminate the material or the information contained therein to third parties without prior written consent of Gallagher. Upon termination of this Agreement for any reason, Client shall immediately return all such material, and any copies thereof, to Gallagher.

2. Employees of Gallagher

Client agrees that during the term of this Agreement and for a period of one year following the date of the termination of this Agreement, it will not utilize the services of:

- a) Any individual who was an employee of Gallagher during the term of this Agreement, or any renewal, either as an employee or otherwise to perform services for Client similar to those services provided by Gallagher under this Agreement; and
- b) Any person, firm, partnership, or company which employs any person who was an employee of Gallagher during the term of this Agreement, or any renewal, and whose duties in connection with such employment involved providing services of a kind, nature, or description similar to those being provided by Gallagher under this Agreement, whether or not such employee provided those services for Client.

3. Waiver of Nonperformance

No waiver of any default in performance on the part of Gallagher or like waiver by Client, or any breach or a series of breaches of any of the terms, covenants, or conditions of this agreement shall constitute a waiver of any subsequent breach or a waiver of said terms, covenants, or conditions. Resort to any remedies referred to herein shall not be construed as a waiver of any other rights and remedies to which either party is entitled under this Agreement or otherwise.

4. Partial Invalidity

Should any part of this Agreement, for any reason, be declared invalid by a court of competent jurisdiction, the remaining portion shall remain in full force and effect as if this Agreement had been executed without the invalid portion.

5. Governing Law

The validity, interpretation, and performance of this Agreement shall be controlled and construed according to the internal laws of the State of Utah.

6. Indemnification

- a) Gallagher agrees to indemnify, protect, save, and keep harmless Client from any and all loss, cost, damage, or exposure arising from the negligent acts or omissions of Gallagher.
- b) Client agrees to indemnify, protect, save, and keep harmless Gallagher, its affiliates and subsidiaries, from any and all loss, cost, damage, or expense from:
 - (1) any financial obligation to pay premiums to any insurer, excess insurer, or reinsurer;
 - (2) The legality or validity of the operations, organization, or structure of Client; and
 - (3) the negligent acts or omissions of Client.

7. Successors

This Agreement shall be binding upon and shall inure to the benefit of all assigns, transferees, and successors in the interest of the parties hereto.

8. Entire Agreement; Modification, or Amendment

This Agreement and the Exhibit hereto represent the entire and exclusive statement of the agreement of the parties and may be modified or amended only by a written statement signed by both parties. Such modification or amendment shall be attached to, and shall thereupon become a part of this Agreement.

9. Headings

Headings herein are for convenience of reference only and shall not be considered in any interpretation of this Agreement.

10. Independent Contractors

It is understood and agreed that Gallagher is engaged to perform services under this Agreement as an independent contractor. The parties hereto agree that neither party has any relationship with or contractual liability to the other with respect to the subject matter of this Agreement other than as set forth herein.

11. Practice of Law

It is understood and agreed that Gallagher will not perform, and Client will not request performance of, any services which may constitute the unauthorized practice of law.

12. Counterparts

This Agreement may be executed by the parties in several counterparts, each of which shall be deemed to be an original copy.

13. Remedies not Exclusive

No remedy conferred hereunder is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

14. Subcontracting

Gallagher may not subcontract any or all of the services required to be performed by it hereunder without the prior written consent of the client.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

ARTHUR J. GALLAGHER & CO. ()

By: 

(CLIENT)

By: 

BROKERAGE SERVICES

Arthur J. Gallagher & Co. receives from UACIM an annual fee for providing brokerage services to the membership for the placement of the Excess Property, Liability, Automobile, Law Enforcement, and Public Officials' Liability coverages. The 2002 fee is \$80,000, which does not include any commissions from the placement of policies or coverages outside the program. The services that Arthur J. Gallagher & Co. provides to UACIM as a whole, and to individual member counties include, but are not limited to, the following:

- Provide information regarding insurance markets from the standpoint of cost, service, coverage, and security;
- Keep client informed of changes in insurance market conditions that may affect the insurance program;
- Coordinate and develop renewal information with client;
- Assist in the preparation of materials, specifications, and underwriting data required by insurers;
- Market required insurance coverages;
- Prepare and present formal annual renewal presentation to client;
- Place coverage as instructed by client;
- Review the accuracy and adequacy of all policies, policy endorsements, and invoices prior to delivery;
- Assist client in the design of policy forms as needed;
- Issue binders, certificates of insurance, and other coverage verification documents as required;
- Present policy coverage questions to underwriters;

- Assist in obtaining settlements from insurers for losses that penetrate excess insurance layers;
- Act as liaison with insurance companies and McLarens-Toplis, Inc.;
- Be available to answer day-to-day questions from member counties; and
- Attend client meetings when requested.

Sonya White

From: Sonya White [sonya@ucip.utah.gov]
Sent: Tuesday, December 14, 2004 3:30 PM
To: 'editor@sltrib.com'
Subject: UCIP Trustees Meeting

Notice of next UCIP Board of Trustees Meeting.

Sonya White

Utah Counties Insurance Pool
5397 South Vine Street
Salt Lake City, UT 84107
801.293.3098
801.293-3480 (fax)

Sonya White

From: Sonya White [sonya@ucip.utah.gov]
Sent: Friday, December 17, 2004 4:52 PM
To: 'editor@sltrib.com'
Subject: Public Notice

Please publish the attached public notice of our Regular Meeting Schedule for one day in the Tribune's next available printing.

Thank you,

Sonya White

Utah Counties Insurance Pool
5397 South Vine Street
Salt Lake City, UT 84107
801.293.3098
801.293-3480 (fax)

**ANNUAL NOTICE OF REGULAR MEETING SCHEDULE OF THE BOARD OF
TRUSTEES OF THE UTAH COUNTIES INSURANCE POOL**

PUBLIC NOTICE is hereby given that the 2005 Annual Meeting schedule of the Board of Trustees of the Utah Counties Insurance Pool is as follows:

Regular meetings of the Board of Trustees of the Utah Counties Insurance Pool will be held on the third Thursday of each month of the year from the hour of 9:00 a.m. until finished, at 5397 South Vine Street, Murray, Utah, unless otherwise listed below or changed by action of a quorum of the Board of Trustees of the Utah Counties Insurance Pool.

TENTATIVE REGULAR MEETING DATES FOR 2005

February 17
April 19, 3:00 p.m.
June 3, 12:00 p.m., Red Cliffs Lodge, Moab, UT
August 18
October 13
December 15

A regular meeting may be canceled without notice by action of a quorum of the Board of Trustees. When, because of unforeseen circumstances, it is necessary for the Board of Trustees to hold an emergency meeting to consider matters of an emergency or urgent nature, the best notice practicable shall be given. No such emergency meeting of the Board of Trustees shall be held unless an attempt has been made to notify all of the members of the Board of Trustees and there is a majority vote in the affirmative to hold the meeting.

All regular meetings of the Board of Trustees shall be open to the public unless closed by the Board of Trustees in the manner described in §52-4-4, Utah Code Annotated, 1953 as amended, and, for a purpose described in §52-4-5, Utah Code Annotated, 1953 as amended.

ADOPTED AND APPROVED THIS 16 DAY OF December, 2004.

BOARD OF TRUSTEES,
UTAH COUNTIES INSURANCE POOL



DAN R. McCONKIE, President

